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# IS INCREASING LAND SUPPLY THE SOLUTION TO THE AFFORDABLE HOUSING CRISIS?

## THE CASE OF NOTTINGHAM AND PORTSMOUTH

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Being a Report submitted to the faculty of The Built Environment as part of the requirements for the award of the MSc Spatial Planning at University College London:

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# Abstract

Since the 1990's UK house prices have risen sharply, meaning houses have become less and less affordable for increasingly large numbers of people. This research investigates the effect which land availability has on house prices in Nottingham and Portsmouth. It considers how planning policy influences land supply and whether land supply in the sense of land shortages increases the price of housing. The consequences of rising house prices on the two cities are also considered.

Existing research has investigated the effect which planning regulation has on land availability and the housing market, but there remains no consensus about the true magnitude of the effects of land supply on house price. Following the Barker Review, the Government have recently committed to a large scale house building programme, in which releasing large areas of land for developed is a critical action aimed at reducing house prices. Meanwhile the RTPI have disputed the idea that the current affordability crisis stems from the restricted supply of land and called for wider research into its causes.

This study is based on data collected from January 2007 to August 2007, including statistical data on house prices and land availability, a house builder's survey and in-depth interviews. It identifies that rapidly increasing house prices have created severe problems in both areas, but particularly in Portsmouth where the lack of affordable housing is resulting in long housing waiting lists and recruitment problems in key services. The study concludes that an increase in supply of land for housing has been one of the significant factors in stabilising house prices in Nottingham. In Portsmouth the relationship is found to be less direct; despite an overall increase in land supply, housing output has been variable and house prices have continued to increase rapidly. Housing cost is found to be a complex issue which is affected by a combination of factors, including housebuilder behaviour and the type property and tenure. In contrast to the Barker Review, this study suggests that land supply alone is not the answer to the housing crisis.

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# 1. INTRODUCTION

## 1.1 AIMS OF RESEARCH

This study is concerned with the housing situation in Nottingham and Portsmouth. It aims to investigate how land supply affects housing output and land price, and the effect which this in turn has on house prices. The overall aim of the research is to ascertain whether:

**THE AVAILABILITY OF LAND IS A FACTOR IN DETERMINING HOUSE PRICES IN NOTTINGHAM AND PORTSMOUTH**

Information for this research will be obtained from detailed national statistical databases recording land availability and house prices, in addition data regarding household projections, housing output including density and land prices will be assessed. In order to complement the statistical data and overcome gaps in information two Local Authority Planners and a representative from the House Builders Federation have been interviewed, also a survey of house builders in Nottingham and Portsmouth has been carried out. Housebuilders and planners often have opposing viewpoints on the housing market so the two views have been compared in order to fully understand the situation.

The outcome of the study is an appreciation of how planning policy affects the supply of land for housing and an understanding of the relationship between land availability and house price in Nottingham and Portsmouth.

## 1.2 THE HOUSING SITUATION

The Government intervenes in the housing market through planning; a regulatory mechanism which aims to increase the efficiency of the use of land and to ensure greater equity in that use. In order to protect the natural environment and to avoid uncontrolled development, the UK operates a 'plan-led' system whereby new housing can only occur subject to planning approval. However, planning mechanisms can be constraining, for example the local plan or zoning system may exclude certain types of development in certain areas.

The most controversial planning issues over the next few years are likely to be accommodating the projected demand for new housing and overcoming the shortage of affordable housing units. The latest housing projections forecast the number of households in England will increase by 223,000 per year to 2026 (ONS, 2007). Since the 1960's the total number of homes being built in the UK has been on a downward trend and despite recent increases in house building rates there has been rising concerns that the housing market may not meet the need for new homes (White & Allmendinger, 2003). In 2004 Kate Barker's independent review of housing supply concluded that to improve affordability and increase access to housing, the UK needs to build more houses over time. The accommodation of large scale housing growth has become more sensitive in recent years partly due to the increased awareness of sustainability, which has heightened concern over the impact of development.

The issue of housing affordability is also a major concern; the long run trend in housing prices in the UK has been upwards since the mid 1950's (Cheshire, 2004) and since the 1990's prices have spiralled out of control. The trend rate of real house price growth over the last 30 years has been 2.4%, considerably higher than the European average of 1.1% (Barker, 2004: 1). The situation is partly a consequence of the inherited shortage of housing, which is unable to meet the needs of the population. The problem of affordability is no longer confined to key workers and those on low incomes, but is now affecting the middle classes and includes both renters and owner occupiers, consequently the situation is now regarded as a national 'crisis'. Despite this the Government have narrowed consideration of affordability to 'affordable housing' which only considers owner occupiers and key workers. Affordable housing policies do not consider the private rental sector or social housing and consequently future targets for affordable housing will not address the situation faced by the majority of the population.

The demand for new housing and affordability rates vary across the country; while markets for space in the South of England and London are overheating, other areas, especially the North, are faced with declining housing markets. It is estimated that there is a shortage of 115,000 per year households heavily concentrated in London and the southern regions, at the same time there are surpluses of 75,000 per year in the northern and Midland regions (Bramley & Karley 2005: 703). The affordability of housing also shows variation; between 1996 and 2001, house prices increased by 77% in the South East and by only 24% in the North East (Cole, 2003: 220).

The undersupply of affordable housing has severe and wide ranging impacts, including homelessness, overcrowding and long housing waiting lists. The number of people forced to live in temporary housing has now reached 100,000 and for the first time since records began severe overcrowding of homes is on the increase (Weaver, 2007: 1). Housing issues are becoming an increasing barrier to economic development and may threaten the stability of the wider economy (Cheshire, 2004). Higher house prices mean that many key workers, such as nurses and teachers, cannot afford new homes, resulting in recruitment and retention problems in key services. House prices across the country have grown out of reach of residents and many areas now face acute affordable housing shortages. There is a serious shortage of new homes being built whilst demand is increasing rapidly. This unbalance has led to prices rising to unaffordable levels, causing extreme problems for people on low incomes. The 'housing crisis' looks set to deepen if current trends continue.

Housebuilders argue that the fundamental reason driving the rise in real price of housing is the increasing constraint on the supply of land applied by the British planning system and its attempts to contain urban areas. This view is supported by the Barker Review which identified land supply as the main constraint on the delivery of housing (2004: 31). The recent publication of PPS3 and the housing green paper make it clear that Government ministers will intervene to ensure an adequate continuing land supply in future (Halman, 2007). However to focus simply on land supply could have the detrimental effect of 'diverting discussion away from the other factors that contribute to higher house prices and thus, hamper the search for solutions to this national crisis' (RTPI, 2007: 2). It has not yet been proved that the Barker approach is the most suitable or that that increasing land supply will solve the crisis. This study aims to contribute to this debate by using two case studies to investigate how much impact land availability has on the affordability of housing.

### 1.3 THE CASE STUDIES

Nottingham and Portsmouth have been chosen as case studies to illustrate the differing housing situations experienced across Britain (Figure 1).

Figure 1: Location map of Nottingham and Portsmouth


Although these two cities are not the most extreme cases, they differ significantly in land availability and house prices. Portsmouth, located on the South Coast of England, is a city surrounded by water on three sides resulting in severe land constraints (Figure 3). Unlike Nottingham it is unable to expand into the surrounding areas (Figure 2). Property prices in Portsmouth are low when compared with both national and regional figures, however, recent price rises in Portsmouth have been dramatic and there is a high level of need for new affordable housing units (PCC, 2005). Portsmouth will be compared to Nottingham in the East Midlands. Nottingham has seen the lowest house price rises in England over the last year (BBC, 2007). The city has recently gone through a period of manufacturing decline, leaving large amounts of derelict land.

Figure 2: Nottingham land area by administrative boundary

Figure 3: Portsmouth land area by administrative boundary

Source: ONS, 2007

The general social and economic situation in Portsmouth is similar to that for England as a whole, whereas deprivation is generally higher in Nottingham. The index of multiple deprivation (IMD) 2004 reveals that Nottingham is extremely deprived, it scores 41.8 on a scale where 100 represents the most deprived area, ranking it 7th worst of the 354 local authority areas (ODPM, 2004: 165). Both Portsmouth and Nottingham score worse on the IMD score than their surrounding areas (Figures 4 and 5).

Figure 4: IMD score for Nottingham



Source: ODPM, 2004

Figure 5: IMD score for Portsmouth

Nottingham's and Portsmouth's housing markets show considerable variation. House prices in Portsmouth are considerably higher than in Nottingham, but prices in both areas are out of reach of residents, 69% of Nottingham's and 79% of Portsmouth's residents have difficulty becoming owner occupiers. In Portsmouth economic growth is hindered by both rent and mortgage costs becoming out of reach, resulting in more graduates returning to their home towns to live with parents (Portsmouth and South East Hampshire Chamber of Commerce cited in PCC, 2005). Affordability is also a particularly severe problem for key workers; in Portsmouth one in five key worker households (2,193 households) cannot afford market housing (Fordham, 2005:1). The average key workers salary is only 73.4% of the salary required to purchase, whereas in Nottingham the average key worker salary falls above that required to purchase (109.7%) (Wilcox, 2003: 45).

For variables relating to housing Nottingham is generally more similar to the national situation than Portsmouth, for example the vacant property estimate for Portsmouth is significantly lower perhaps suggesting a scarcity of land. The key environmental difference between the two areas is the amount of green spaces which is much lower in Portsmouth (Table 1).

Table 1: Key economic, social and environmental indices

| | Nottingham | Portsmouth | England |
|---|---|---|---|
| Population | 266,988 | 186,701 | 49,138,831 |
| Index of multiple deprivation, Average score (Rank) | 41.8 (7) | 24.9 (88) | N/A |
| Proportion of population aged 16-74 who are unemployed | 5.25% | 3.1% | 3.4% |
| Proportion of population aged 16-74 with no qualifications | 33.9% | 27.8% | 28.9% |
| Proportion of working age population claiming a key benefit | 20% | 12% | 14% |
| Proportion of the population receiving incapacity benefit | 10% | 6% | 7% |
| Population density (number of persons per hectare) | 35.78 | 46.4 | 3.8 |
| Proportion of land area that is green space | 34.6% | 23.9% | 87.4% |
| Number of households | 116,112 | 78,719 | 20,451,427 |
| Average house price | £100,255 | £157,289 | £175,398 |
| Proportion of housing that is owner occupied | 50.0% | 64.8% | 68.7% |
| Vacant property estimates | 10% | 4% | 9% |
| Vacant owner occupied and private rented dwellings | 3.6% | 2.8% | 3.3% |
| Proportion of households who have difficulty becoming owner-occupiers | 69.1% | 79.1% | N/A |

Source: ONS, 2007 and ODPM (2004)

The current approach to reducing house price focuses on securing a supply of land for development, as advocated in the Barker Review. As the government is about to embark on a programme of large scale housing growth this study will use these two cities currently facing housing crises to investigate the matter in more detail. Is releasing large areas of land for housing possible in Nottingham and Portsmouth, and more importantly is it likely to have the desired affect of decreasing property prices?

# 2. LITERATURE REVIEW

## 2.1 INTRODUCTION

The recognition that housing supply in Britain is particularly low and unresponsive, led the Treasury to commission the Barker Review of Housing Supply (2004) which identified a substantial under-supply of houses against demand. Despite housing output having recently increased to its highest level since the 1980's it is still not meeting demand; while the housing stock is growing by 185,000 a year, the number of households is projected to grow at 223,000 a year (CLG, 2007: 7). This gap has lead to long term affordability problems, with open-market house prices at unprecedented heights. Prime Minister Gordon Brown has prioritised the housing issue and the recently published housing green paper sets out a scale of ambition to provide more housing than seen in this country for a generation (CLG, 2007: 12). The paper raises the annual house building target for 2016 from 200,000 homes a year to 240,000, (Sheil, 2007: 1). Central to achieving this is the recommendation to allocate more land for development following the Barker Review finding that 'the underlying constraint on housing is the supply of land' (Barker, 2004: 126).

In academic housing literature there exists three schools of through from which the housing situation can be viewed; all offer different explanations for the root of affordability problems. The first approach is tenure and welfare system based (Cole, 1996; Kemeny, 1995; Balchin, 1996), the second adopts an economic vantage and focuses on supply and demand (Barker, 2004), and the third considers the type of housing provision (Barlow & Duncan, 1994; Clapham, 2006). The first approach highlights that the Thatcher government policy of 'Right to Buy' has had a undeniable impact on the housing system; between 1988 and 2004, 168 transfers had taken place in 137 local authorities, involving 706 000 properties (Cole, 2006: 287). This policy was designed specifically to promote owner occupation at the expense of social housing (Malpass, 2007: *iv*). The influence of tenure as a cause or consequence of social and economic division and affordability issues is a continuous thread running through academic and policy debates from this school of thought (Cole, 2006: 288). The reduction of the social rented sector is considered to be the root of the affordability problem (Cole, 1996; Kemeny, 1995; Balchin, 1996).

Recently there has been a shift in both academic analysis and policy development towards the second approach which focuses on the supply side (Cole, 1996: 289).

This approach, typified by the Barker and Callcutt Review's, claims that house prices can be controlled through balancing supply and demand. This method is now dominant, although academic literature has not yet fully responded to it. This school of thought will be the focus of this study. The third viewpoint focuses on the type of provision and production of housing, it highlights that new housing is now only provided by the market. This approach claims that globalisation has resulted in a strong move towards market ideologies involving privatisation, deregulation and reduction in state provision, causing long term affordability problems (Clapham, 2006: 74). Clapham (2006: 75) suggests a new social democratic model of housing policy based is needed.

There is considerable evidence that a shortage of housing exists in the UK, but the nature of this shortage is complex, mismatches between the location of supply and demand or between the types of housing desired and that which is available also need to be considered (Barker, 2004: 121). The problem is not simply a result of the demand and supply aspect, housing experts also debate on issues of tenures as an important factor affecting house prices (Balchin, 1996; Priemus, 2001).

## 2.2 APPROACHES TO LAND

The relationship between land supply and house prices is complex, and involves the interrelationship of the planning system, land market, new housing production and the housing market (DEFRA, 1992). The planning system has significant influence over the housing market because it controls the supply of space available to build on. The system is often seen to raise price, reduce supply, increase density and reduce choice (White & Allmendinger, 2002). Barker claims the 1947 Town and Country Planning Act, originally intended to assist the provision of housing land, has developed into a system of 'excess' constraint. Recent modifications have mainly been 'intended to reinforce the effect of regulation to reduce total urban land take' (Cheshire & Sheppard, 2004: 626), for example policy requires an increasing proportion of new housing to be built on 'brownfield' sites (present planning policy requires 60%). Whitehead (2007) points out that there is nothing in the system to ensure optimality of provision of land; it is ultimately a matter of political choice. She claims that a reasonable expectation therefore is that actual outcomes will result in greater limitation on supply of land and thus over-constraint, consequently causing higher land prices and lower outputs.

Despite the extensive and subtle economic effects of land regulation its management is typically in the hands of planners rather than economists (Cheshire & Sheppard, 2004: 621). The tension between planners, who perceive their role as classifying but not constraining demand, and economists, who see the planning system acting as a major constraint on land supply, surfaced clearly in policy debate (Evans, 1987). There is broad agreement among economists that restricting the supply of land for new housing is likely to reduce supply elasticities, increase land and house prices, and increase housing densities. However, the relative magnitude of different effects remains unclear because nobody has convincingly quantified the effect of planning controls and land availability on housing price (Bramley, 2003).

The free-market approach strongly believes that as land has become more restricted house prices have become progressively higher, this school of though seeks to liberalise land from the planning system and let the market decide where and when to build houses. Housebuilders compete intensively for land because they believe it to be in short supply (DEFRA, 1992). Where demand is growing and supply is restricted, economic theory predicts that prices have to go up. As land prices get bid up and development is forced away from easy and cheap to build on greenfield sites to re-cycled land and infilling, the costs of both obtaining land and construction increase (Cheshire & Sheppard, 2004). House prices have certainly risen in real terms but Cheshire and Sheppard (2004) show that the price of housing land has risen three times as much as that of houses in the past 50 years. The cost of particular housing attributes, such as central heating, labour and construction, has risen slowly, but the price of space has risen rapidly in line with the dramatic increase in the overall cost of houses (Cheshire, 2004). A study in Reading found that all prices reflecting space increased by considerably more than the house prices in general and the relative increase in price mirrored the extent of the supply constraint via urban containment regulation (Cheshire & Sheppard, 2004). It is therefore not possible to understand the housing crisis without examining land cost.

There are widespread concerns that house price increases will have adverse effects upon the economy. A weak supply of housing 'contributes to macroeconomic instability and hinders labour market flexibility, constraining economic growth' (Barker, 2004:1). The McKinsey Report (1998) was the first occasion when mainstream economists had pointed to the land use planning system as a factor slowing the rate of economic growth in the UK. However the Report has since been criticised for lacking rigorous analysis and ignoring such factors as skills (Riley, 2002). John Stewart (2002) also wrote a highly influential report called 'Building a crisis' which was the first report to argue that Britain faced a housing crisis because of an under-supply of new housing. It identified the planning system as the primary cause and led the Government to set up the Barker Review (2002: 4).

The prolonged housing market boom has been concentrated in the South East, where it has exacerbated problems of affordability. At the same time, in the North of England and parts of the Midlands the housing market has displayed symptoms of low demand and in extremes cases housing abandonment (Bramley & Leishman, 2005). The magnitude of land supply constraint also varies across the country, it is considered to be greatest in the South East where up to 35-40% of house prices can be attributed to land supply constraints, including the planning system (DEFRA, 1992: vii). Clapham (2006: 65) believes that the reluctance of Government to adopt a regional economic and employment policy, has led to a strong emphasis in housing policy on the supply of new housing, particularly in areas of economic growth and consequent high housing demand. However, even if appropriate housing is made available, the regional imbalance in employment opportunities places focus on the mobility of households, and it is therefore necessary to ask if households are prepared to move to take up employment opportunities (Clapham, 2006). Housing in general follows economic drift and therefore tends to intensify the over-heating of the southern economy and thus demand–led housing policy interferes with market adjustments (Lowe, 2004). Ultimately it can be argued that this is not actually a housing problem, but is a reflection of deep regional imbalances and inequalities.

The role planning plays in managing the release of land and the idea that restrictions on supply are one factor in determining the price set for housing are generally accepted (RTPI, 2007: 2). However some commentators (RTPI, 2007; Bramley & Leishman, 2005) claim that too many of those involved in trying to resolve the housing crisis seem prepared to accept the view that all we need is to release more land through the planning system to lower house prices. The RTPI (2007) offer other explanations for the increase in house prices, such as the structure and efficiency of the construction industry, the system of housing finance in the UK and 'speculation'. The RTPI maintain that the shortage of land available for development will not just stem from the planning restrictions, but also from a lack of investment in, or availability of infrastructure. This was found to be the case by the South East of England Regional Assembly who claim that the shortfall of new homes is more to do with the housing industry and lack of infrastructure than reluctant planning authorities.

Alternatively Balchin (1996) and Priemus (2002) refer to the tenure imbalance and the shifting rental sector, particularly in affordable housing, as the root of the problem. The RTPI claim that if we continue to 'focus simply on the effect of planning on housing land supply then we do the nation a disservice by narrowing down the range of options through which we can make housing more affordable' (RTPI, 2007: 2).

In addition to doubts about the cause of low housing output, there is evidence to suggest that changes in land supply would not have a direct or sizeable effect on house prices. Several studies (Bramley & Leishman, 2005; DEFRA, 1992; Bramley, 1993) conclude that it would require significant additional land release, on a national scale and over a considerable time period to have a measurable effect on reducing average house price. Bramley and Leishman (2005) found that a doubling of the flow of permissions and a progressive increase in stock of land available by 20% per year (so doubling in four years) and a doubling of social rented new supply only leads to a modest impact on price (a reduction of 4% in year five) (RTPI, 2007: 3). This is acknowledged in by Barker who notes that new planned supply will only account for 1% of the housing stock so measures would 'not have much effect were it not for the role of expectations' (Barker, 2004: 4). This concern was evident in the Government's response to the Select Committee report on Sustainable Communities in the South East, which stated, in relation to the announcement of 200,000 more homes in the area that 'we never claimed that our proposals would cause the absolute level of house prices to fall' – merely that they 'should help to moderate the growth trend in house prices in the longer-term' (cited in RTPI, 2007: 7).

The house building industry has long argued that planning restricts output and forces up prices (Bramley, 1999). However, little attention has been directed towards how available land is used. The positive elements of the planning process allow development but do not ensure that development takes place unless the market regards it as worthwhile (Whitehead, 2007). The RTPI has responded to the Callcutt review of house building delivery and the affordability crisis by looking at land-banking. Overall, outstanding permissions are held by the top ten housebuilders for nearly 225,000 homes, which equates to a 2.7 year supply (RTPI, 2007: 3). The RPIT point out that almost 27,000ha of brownfield land either has permission or has been allocated in plans for housing, if developed this translates into 980,000 homes (Morris, 2007: 13). Although these figures do not take into account whether the permissions include legalities that must be agreed before construction can start (House Builders Federation), they do indicate that it is not a question of overall land scarcity. In fact scarcity of supply is vital for housebuilders to maintain high house prices. The land-bank is housebuilders main asset, 'it is by capturing land-value increment that the speculative house-builders prosper' (Boyle, 2003: 3). The vested interests of housebuilders have always been opposed to those of planners and this is another factor in the combination of variables that influence house price.

There are methods available to housebuilders to help overcome the perceived shortage of land such as increasing densities and moving locations. The density of new housing has been increased from 25 to 40 dwellings per hectare (CLG, 2007: 16). Density is therefore an important factor influencing house prices. Builders have also overcome restrictions by building in areas where land is more readily available; Monk and Whitehead (1999) found that in Hertfordshire and South Cambridgeshire, both 'tightly' controlled areas, developers were discouraged from challenging the decisions made by local planners. This fed demand into Fenland which faced fewer restrictions and consequently had more land available. Housing output in Fenland stayed above structure plan provision levels well after the market had gone into recession.

**2.3 AFFORDABILITY**

Housing policy has always been based on the idea that the market should accommodate most people most of the time, and this belief has never been successfully challenged (Malpass, 2007: *iii*). The decline of social housing and the worsening affordability situation in the market have together produced a growing body of households who are squeezed out, these people either look to social renting or look to the market (Malpass, 2007: *vi*). The Government definition of affordability narrows it down to 'affordable housing' for people who cannot afford to rent or buy houses generally available on the open market, it thus excludes a large proportion of the population. Government guidance defines housing need as households 'who are unlikely to be able to meet their needs in the housing market without some assistance' (ODPM, 2000: 116). The procedures and techniques in modeling housing need are complex and subject to a variety of interpretations and assumptions (Lowe, 2004). Analyses of affordability typically use the ratios approach by measuring the relationships between household incomes and housing costs (Paris, 2007). A core problem with this approach is that incomes and costs change significantly over life cycles (Paris, 2007). Paris (2007) argues that 30% of a low income may be less 'affordable' than 40% of a high income. This has led Stone (2006) to argue that the traditional ratio concept is logically unsound and misleading. The alternative is a residual income approach which recognises that true affordability is sensitive to differences in household composition and income. Despite concerns with ratio of income concept it is well established with sound datasets and will therefore be used in this study. A household is considered unable to afford private sector if the cost of housing (either to rent or to buy) exceeds 25-35% of net disposable income. This is the threshold set by the ODPM, and is also consistent with the National Housing Federation which says that rents are affordable if the majority of working households taking up new tenancies are not paying more than 25% of their net income in rent' (National Housing Federation website).

The concern that restricted supply of land for residential development reduces the supply of houses and thus increases their price, has been a matter of considerable controversy but of little empirical evidence (Crook, 1996). Nonetheless, there is substantial concern there is a price effect which is crowding out lower income groups from house purchase and creating land prices which local authorities and housing associations find difficult to afford (Crook, 1996). The affordability crisis is now one of the most important debates in this country, figures forecast that, 'all other things being equal, current plans would lead to a further deterioration in the lower quartile house price to earnings ratio from seven to around ten by 2026' (NHPAU website, 2007). Literature suggests that land availability has the same effect on affordable housing as open-market housing generally, for example the Barker Review found that 'key constraints on the supply of affordable housing are the cost and availability of land' (2004: 128).

A recurring theme in affordable housing literature is the limited extent to which planning can increase the supply of affordable housing; however the majority of new affordable housing is produced with the help of the land-use planning system (Whitehead, 2007). The use of S106 to provide affordable housing as well as other local infrastructure has become the norm and the policy is now in operation in over 90% of local authorities (Crook, 2002 cited in Whitehead, 2007). However questions still remain about its ability to secure enough affordable housing provision. There is considerable variation between authorities in the extent to which negotiations are undertaken for affordable housing (Farthing & Ashley, 2002). In locations where the majority of housing sites are recycled within the existing urban area 'the ability to negotiate affordable housing will be constrained by high urban land values and the smaller size of schemes' (Bramley *et al.* 1995: 83).

Although the numbers of dwellings being generated through the planning system have increased, the land-use planning system 'alone is very unlikely to be a primary source of additional affordable housing' (Whitehead, 2007: 41). The number of affordable homes coming from other sources has fallen considerably, mainly as a result of a reduction in government subsidy for social housing which provides rental properties at below market cost for households in need (CLG, 2007). Large-scale government financial support is necessary if affordable housing provision targets are to be achieved. This has recently been recognised in the housing green paper which outlines plans to invest £8 billion over the next three years, with 70,000 affordable homes a year built by 2010-11 (CLG, 2007).

The various approaches to housing policy highlight that a combination of variables should be looked at when investigating house price. Within this research the variables have been reduced in line with the Barker Review setting, this study will therefore consider the effect of land availability on house prices. It will also look at policy implications in order to extract more specific research questions.

## 2.4 CONCLUSIONS

It is becoming more widely acknowledged that house prices will continue to rise in real terms so long as underlying policy does not change and the supply of land for housing development is highly constrained (Cheshire, 2004). The Government have accepted the central conclusion of the Barker Review that there should be a step-change in housing supply, and releasing more land for development will be critical to this. However, it is apparent that a much wider and better informed discussion about all factors that restrict the amount of housing is necessary in order to lead to a range of effective policies to address the lack of affordability.

It is evident from existing research that there remains no consensus about the true effects of land supply on the housing market and further research is needed on the topic. This study will use Nottingham and Portsmouth as case studies to investigate this relationship as well as the consequences of increased house prices. The next chapter will look at assumptions behind current planning policy in order to identify critical research questions.

# 3. POLICY ANALYSIS

### 3.1 PLANNING POLICY AND THE SUPPLY OF LAND

Planning policies influence land supply for housing development through Local Development Framework allocations and the need to obtain planning permission. Under the UK 'plan-led system' local planning authorities are responsible for granting permissions, but they work within the framework of a tightly and legally defined national planning system. Despite recent moves in the UK towards devolution of government functions, significant power still rests with central government to shape planning policies (White & Allmendinger, 2003).

The Government's objective for housing policy is fundamental: 'to ensure a decent home for every individual in the country' (HM Treasury, 2005). Following the Barker Review, national policy now brings forward a wide-ranging programme of demand and supply side measures to improve housing affordability which is 'now at the heart of all planning reforms' (interview with Stewart, 2007). The Barker recommendation to allocate more land for development is clearly evident in the recently published PPS3 and housing green paper. In Table 2 key policies are analysed to assess the extent to which they affect the supply of land available for development. It highlights that essentially the theory behind local, regional and national policy is the same and the economic viewpoint is dominant. There are two key assumptions behind all housing policies; firstly that increasing the supply of land for housing will result in a reduction in housing cost, and secondly that an increase in the supply of affordable housing will ease the current housing crisis.

Table 2: Analysis of key housing policies

| Policy | Policies relating to land availability for housing | Justification of policy | Assumption behind policy |
|---|---|---|---|
| **National** | | | |
| Housing Green Paper | Outlines plans for the delivery of three million new homes by 2020. | Despite increase in supply, it is still not keeping up with rising demand from an ageing, growing population. | Increasing the supply of land for housing will result in a reduction in housing cost. |
| | Cites that authorities that fail to meet house building targets may have their planning decisions overturned. | Encourages councils to identify sufficient land for housing. | |
| | A new Housing and Planning Delivery Grant will direct extra resources to those councils who identify sufficient sites for housing and deliver high levels of housing | Financial rewards will encourage councils to identify sufficient land. | |
| | A new homes agency will support councils in drawing up local strategies to maximise development on brownfield sites. | Promotes better use of disused land. | |
| | Increased target for number of houses to be delivered on public sector land to 200,000 by 2016. Range of policies for more subsidised affordable housing. | There has been a dramatic decline in affordable housing provision. New standards will increase the number of affordable homes developed. | An increase in the supply of affordable housing will ease the current housing crisis. |
| PPS3 Housing | Requires authorities to produce Strategic Land Housing Availability Studies, detailing deliverable housing sites. | Intends to ensure that there is a continuous five year supply of suitable sites available for housing. Promotes a 'new, more responsive approach to land supply at the local level' (CLG, 2006:5). | Increasing the supply of land for housing will result in a reduction in housing cost |
| | Calls for authorities to ensure that 60% of new housing is on previously developed land. Encourages authorities to convert land | Resists the pressures for greenfield land development and shows commitment to the concept of urban renaissance as discussed in the | |

| Policy | Policies relating to land availability for housing | Justification of policy | Assumption behind policy |
|---|---|---|---|
| PPS3 continued | previously used for other uses to housing. | White Paper "Planning for the Communities of the Future". | |
| | Requires local authorities to set an overall target for the amount of affordable housing to be provided. The thresholds set are lower than previous levels. | Aims to improve affordability across the housing market. Demonstrates the Government's committed to providing high quality housing for people who are unable to access or afford market housing. | An increase in the supply of affordable housing will ease the current housing crisis |
| PPS25: Develop-ment and Flood Risk | Risk-based Sequential Test should be applied at all stages of planning. New development should be steered to areas at the lowest probability of flooding. | Prevent inappropriate development in areas at high risk of flooding. Provides the opportunity for greater scrutiny for major developments proposed in flood risk areas. | |
| **Regional** | | | |
| RPG9 South East | Sets a clear spatial strategy for the distribution of housing requirements across the region. | Promotes a sequential approach to the allocation of land for housing as set out in PPS3. | Increasing the supply of land for housing will result in a reduction in housing cost |
| | Intends for authorities to identify vacant, poorly used and underused land which is suitable for development. | Seeks to achieve the national target of at least 60% of all new housing developments on previously developed sites. | |
| | Advises that affordable housing should be provided to meet locally assessed need. | Recognises that there is a strong demand for affordable housing in the region and that this has already led to problems, such as the recruitment and retention of NHS staff. | Increasing in the supply of affordable housing will ease the current housing crisis in the South East |
| South East Regional Housing Strategy 2006 | The main priority is to increase the supply of affordable housing by substantially increasing housing completions. | There has been an undersupply of housing in the area which has led to acute affordability issues. | Increasing in the supply of affordable housing will ease the current housing crisis in the South East |
| | Promotes brownfield development at high densities. | The South East region has 'significant land constraints' and nearly 48% of the land is subject to protective designation (GOSE, 2006:53). | Increasing the supply of land for housing will result in a reduction in housing cost |

| Policy | Policies relating to land availability for housing | Justification of policy | Assumption behind policy |
|---|---|---|---|
| RPG8 East Midlands | Proposes a 'plan, monitor and manage' approach to providing land for housing. 60% of new houses must be on 'brownfield' land. | Aims to achieve a 'sustainable balance between supply and demand for land and housing' (GOEM, 2002:40). | |
| | New housing requirement is assessed as an annual building rate of around 13,700 dwellings; additional housing should not be achieved at the expense of the environment. | This is considered the best means of tackling social exclusion, regenerating disadvantaged areas, promoting the strategic conservation of the region's natural and cultural assets and using resources prudently. | |
| | Encourages authorities to set affordable housing targets. | Identifies a substantial need for affordable housing. An adequate supply of affordable housing 'is important for the performance of the regional economy' (GOEM, 2002: 46). | Increasing in the supply of affordable housing will ease the current housing crisis in the East Midlands. |
| East Midlands Housing Strategy 2004-2010 | The main priority is to 'to ensure that the existing and future housing stock is appropriate to meet the housing needs of all parts of the community' (GOEM, 2004:4). | Does not identify a pressing housing crisis but intends to provide a variety of housing. Completions of new housing are 'relatively high' in the East Midlands. | |
| | One of the key priorities is recognising and responding to areas affected by low demand. A supplementary strategy 'Low Demand in Housing' has been developed. | Evidence 'clearly suggests that there are areas at risk of low and changing demand'; in April 2002 there were 25,000 private sector homes that had been empty for more than 6 months (GOEM, 2004:4 &12). | |
| **Local** | | | |
| Portsmouth City Local Plan 2001-2011 | A key vision is to have sufficient choice and quantity of new homes to meet the housing requirements of the city. Identifies 3,046 net new dwellings are needed in the city between 2001and 2011. Sites to accommodate at least the first five years' of the proposed housing development are allocated on a proposals map. | The Plan intends to find the right balance between identifying appropriate sites for homes whilst preserving features of the physical and natural environment which contribute to the city's identity. | Increasing the supply of land for housing will result in a reduction in housing cost. |

| Policy | Policies relating to land availability for housing | Justification of policy | Assumption behind policy |
|---|---|---|---|
| | Promotes efficient use land by seeking to maximize the net density of new residential proposals and encouraging the conversion of buildings to housing. | Portsmouth is a constrained city with a shortage of land for development policies intend to make the best use of scarce developable land | |
| | Seeks to secure the provision of 20% affordable units for sites of 10 units and 30% for sites of 20+ dwellings or measuring over 0.6 hectares. | There is a large unmet housing need in the city. Affordable units need to be secured through the planning system. | Increasing in the supply of affordable housing will ease the current housing crisis in Portsmouth. |
| The Nottingham Local Plan | A key aim of the City Council is to 'create more sustainable and balanced communities by providing choice in terms of housing type, size and tenure' (NCC, 2005:15). | Family housing is identified as being particularly needed to retain families with children. | Increasing the supply of land for housing will result in a reduction in housing cost. |
| | Planning permission will be granted for the change of use of property to residential use provided that a satisfactory residential environment can be achieved. | This maximizes the re-use of land and encourages residential development. | |
| | A target has been set for 85% of housing over the period to 2011 to be on previously used land (NCC, 2005:15) but the Plan recognises that development on Greenfield sites will be necessary. | Greenfield sites are necessary to ensure the aim of providing for more balanced communities, and especially family housing, can be achieved. | |
| | Seeks to secure 20% of new housing on allocated sites to be affordable | There is a need to provide dwellings for those households who will not be able to afford housing available on the open market. | Increasing in the supply of affordable housing will ease the current housing crisis. |

### 3.2 DISCUSSION OF POLICY

All the policies analysed recognise the importance of providing sufficient land for housing development. The new PPS3 and the housing green paper go further than previous policies in ensuring that sufficient, suitable land is available to achieve housing objectives. PPS3 requires local planning authorities to ensure a fifteen years supply of land; five years of which should be 'available, suitable, and achievable'. This horizon would seem realistic, however English Partnerships (2006) claim that PPS3 does not offer clear advice on the measures used to gauge whether a site is 'developable'. There is limited opportunity to plan many years ahead for brownfield land. Another factor which is likely to reduce actual land supply is that 'designated sites do not usually coincide with those where the highest profit can be made' (Monk, 1999: 78). PPS3 includes an enhanced role for developers to identify land for housing, for example by requiring developers and local authorities to work together to identify sufficient housing sites which should make sites more reliable. However Hooper claims that that PPS3 is still not flexible enough to maintain a rolling five-year supply of deliverable land (quoted in Papas, 2007).

The Barker Review identified that 'political pressures may mean that housing numbers set at a regional level and cascaded to local authorities do not always represent the optimal level of house building' (2004: 32). Both the RSS focus on allocating significant housing numbers to the South East and East Midlands, these targets are extremely significant since they determine the amount of land that local planning authorities make available for development. In principle the objective is that of organizing rather than restricting demand (Monk & Whitehead, 1999). Central Government has a leading role in making housing policy but implementation is largely the responsibility of local authorities and housing associations. Implementing agencies have their own values and priorities and are subjected to commercial pressures, which mean that housing policies will not be straightforwardly translated into action on the ground (Malpass, 2002). A plan-led system 'inevitably leads to an undersupply of housing because even if local authorities allocate sufficient sites, it is the 'nature of the development of land that not all land eventually gets built on' (interview with Stewart). This was picked up by Barker who advises that authorities should be more realistic in the allocation of land and include an additional buffer of land.

Local authorities handle housing accommodation issues in different way as highlighted by the differences in the Nottingham and Portsmouth Local Plan's.

PPS3's policy of encouraging the conversion of land used for other uses, including industrial and commercial sites, into housing creates more opportunities for Nottingham because there are plenty following manufacturing decline (2006: 15). The Nottingham Local Plan recognises that the city already has reasonably high rates of house building and the focus of housing provision is therefore on the types of housing provided rather than absolute numbers; a key priority is to provide as 'wide a range of housing as possible' (NCC, 2005: 6). All policies prioritise the reuse of brownfield land, however this may create less land area than anticipated as '69% of brownfield land may not be developable for the foreseeable future, owing to planning constraints or lack of demand in that locality' (Barker, 2004: 128). In Nottingham the flexibility of the planning system to allow some greenfield development is utilized and greenfield sites are expected to contribute 15.2% of the housing supply over the plan period (NCC, 2005:16). This is in contrast to Portsmouth where the 'sequential approach' to the identification and release of housing sites in PPS3 is of limited relevance since the 'brownfield' element of the overall housing provision is, effectively, the entirety of it (PCC, 2006: 2.61).

The key policy in Nottingham and Portsmouth that has been identified as restricting the amount of housing that can be built is PPS25: Flooding. It states that new houses should not be built on flood plains, which rules out development in significant coastal areas in Portsmouth and sites to the north of Nottingham along the River Leen. However the housing green paper concedes that some of the new houses planned nationally will have to be built on flood plains.

Government policy regards the need for affordable housing as a material consideration for residential planning applications. It is one of the Governments key priorities and consequently a theme running throughout all housing policies. In Portsmouth, Head Planner Mike Allgrove claims that current policy is not providing enough affordable units. PPS3 encourages local authorities to reduce thresholds for affordable housing; however such targets may ultimately achieve the opposite effect to that intended by restricting the overall number of units developed and hence delivering lower overall affordable housing provision. The House Builders Association believes that 'the amount of affordable housing being demanded in the planning system is becoming excessive' (2006:3). In Portsmouth Berkeley Homes suggested that high affordability targets prohibit many development sites coming forward by making their development economically unviable (PCC, 2005). Housebuilders and local planners clearly have opposing view about the release and use of land for housing. As part of this research both housebuilders and local planners are interviewed to complement the available data.

Following identification of key assumptions behind housing policy and the research gap recognised in the literature review, critical research questions have been identified for the purpose of this research:

1) Is there an affordable housing crisis in Nottingham and Portsmouth?

2) Does an increase in the supply of land for housing result in a reduction in housing cost in Nottingham and Portsmouth?

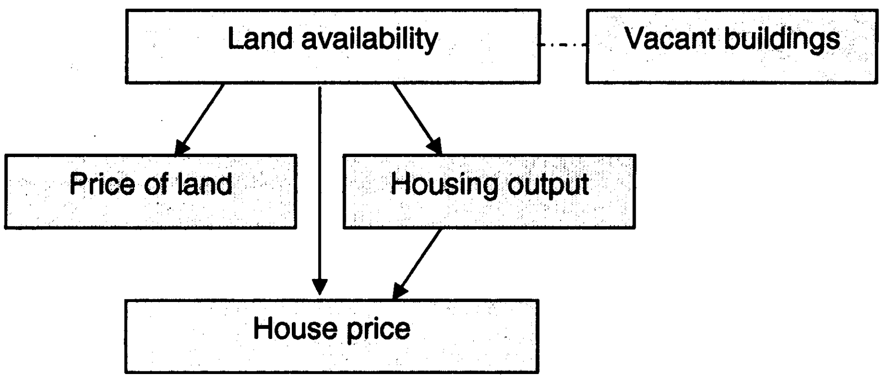
# 4. METHODOLOGY

To answer the critical research questions research comprises of quantitative and qualitative analysis of both primary and secondary data.

### 4.1 STATISTICAL ANALYSIS

Statistical data is used to identify trends in land availability and housing affordability. Land availability data was acquired from National Land Use Database which provides a comprehensive, recent and consistent record of Previously-Developed Land and Buildings in England that may be available for development, whether vacant, derelict or still in productive use. Data was unavailable for all vacant land in Nottingham and Portsmouth so brownfield land, which accounts for the majority of available land, has been used to represent overall land availability. Land occupied by vacant buildings that is suitable for housing is also considered. Figure 6 illustrates the process of statistical analysis. Land availability was compared with housing output which in turn was correlated with house price. Land availability was also compared directly with house price and the price of land at the regional scale was also considered.

Figure 6: Flow chart of data analysis




House Price data comes from the Government's Land Registry House Price Index because it is the most comprehensive available. It uses a data set of completed sales and is the only index to be based on repeat sales. Both Nottingham and Portsmouth Councils recommend using this data to measure house price. In addition, Department for Communities and Local Government (CLG) databases are used to provide data for household projections, housing output and land prices. Local

Development Plan documents are analysed to gain an understanding of changes in housing density over time because the literature review highlighted that builders may increase density to overcome land shortages.

## 4.2 INTERVIEWS

Interview and survey data is used to complement statistical data because housebuilders and planners often occupy contrasting positions, also some gaps in data were identified. In-depth interviews were carried out with local authority representatives to understand the current housing situation and local factors affecting land availability. They were also intended to understand how effective planning polices are at providing sufficient market and affordable housing in the local context. For Nottingham Karen Shaw, LDF Manager from Nottingham City Council was interviewed and for Portsmouth, Mike Allgrove, LDF Manager from Portsmouth City Council. To gauge house builders' opinion John Stewart Director of Academic Affairs at the House Builders Federation (HBF) was interviewed. Stewart is considered an expert in the national housing crisis, having written several influential reports on the subject including Building a Crisis: Housing under-supply in England (2002) and managed HBF's dealings with Kate Barker.

Interviews were arranged several weeks in advance and copies of outline questions were sent to respondents several days prior to the interview. All interviews were structured but informal, allowing interviewees to bring up points that might not have been anticipated. Interviews were carried out face-to-face and a Dictaphone was used to record them. Interviews lasted between thirty to fifty minutes. Transcripts were typed up and categorised in order to be analysed, transcripts are enclosed in Appendix 1.

## 4.3 HOUSEBUILDERS SURVEY

The survey administered to housebuilders sought to discover the extent to which housebuilders feel that land availability is a factor in house price. Only housebuilders were included in the survey because it was felt that opinions of planners working in the same authority are likely to be similar and that these opinions could be grasped through interviews and policy analysis, whereas housebuilder's opinions may be more diverse. The survey also aimed to understand how house builders may be hindered from building houses by planning policy.

The number of questions was kept to a minimum to enable questionnaires to be completed quickly and to maximise response rates. The survey primarily consisted of qualitative questions where companies could provide detailed information, but also included closed questions to enable answers to be quantified. A pilot survey was carried out and subsequently amendments were made to one question. Surveys were sent by post to house building companies because postal addresses were readily available in the Yellow Pages and on the internet. A stamped addressed envelope was included to encourage response. A copy of the final survey can be found in Appendix 2.

Surveys were sent to 20 companies in both Nottingham and Portsmouth, including both national companies and local firms. In total, 19 number of house building companies completed surveys for the purpose of this research, of these 8 were in Portsmouth and 11 in Nottingham.

**4.4 CRITIQUE OF METHODOLOGY**

It is considered that the methodology has been effective at eliciting the required information; however, it is appreciated that the methodology is still subject to limitations.

The statistical data sets correlated sometimes come from different sources and cover different time periods. Every attempt has been made to ensure that data is fairly compared but this should be borne in mind. Ideally data stretching further back than 2000 would have been used, however this was unavailable. It has not been possible to consider every variable affecting land availability, for example trends in rates of vacant dwelling rates have not been considered in detail.

Attitude data from questionnaires must be treated with caution because responses can be unreliable; limitations may include vested interests and attitude forcing. To avoid this questions were unbiased and respondents had the option of remaining anonymous. However some respondents chose not to answer particular questions, this could be because the question did not apply to them or because they did not know the answer, in hindsight it may have been more productive to carry out surveys face to face, in order to understand why some questions were ignored. Unfortunately time and resources did not permit this.

# 5. RESULTS

## 5.1 IS THERE AN AFFORDABLE HOUSING CRISIS IN NOTTINGHAM AND PORTSMOUTH?

**Affordability**

In order to estimate the numbers of households unable to afford private sector housing, housing market data has been combined with household financial information. The ratio of house prices to income in both Nottingham and Portsmouth is at an unprecedented level. In Portsmouth the ratio of average house prices to the incomes of younger working households is 4.67 to 1, illustrating acute affordability issues. In Nottingham the ratio (3.58 to 1) is somewhat lower than Portsmouth and the average for England (4.20 to1) [1]. However this data only considers the accessibility of the housing market for people wishing to buy property it, does not consider rental prices or access to social housing. Table 3 and Figure 7 compare the index.

Table 3: House price to income ratios

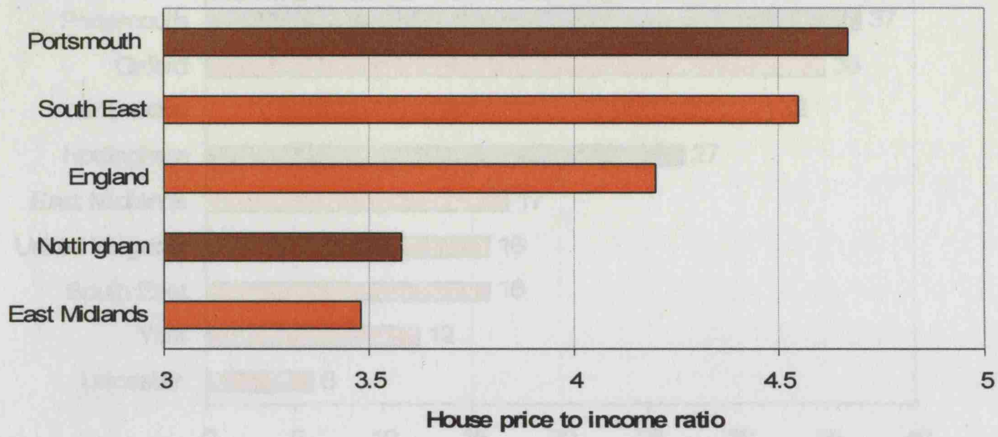
| | Number of working households | Annual household earnings (£) | Average house price (£) | House price to income ratio |
|---|---|---|---|---|
| England | 5,004,758 | 38,106 | 159,986 | 4.20 |
| East Midlands | 416,238 | 34,429 | 119,724 | 3.48 |
| Nottingham | 31,480 | 29,415 | 105,437 | 3.58 |
| South East | 817,183 | 41,426 | 188,543 | 4.55 |
| Portsmouth | 22,489 | 31,778 | 148,546 | 4.67 |

Source: Wilcox, 2005[2]

[1] A ratio of greater than 4:1 indicates severe affordability issues, a ratio of below 2:1 indicates no affordability issues in that area.

[2] Based on household income for working households aged 20-39 and the mean average house prices are based on an equal mix of two- and three-bedroom dwellings.

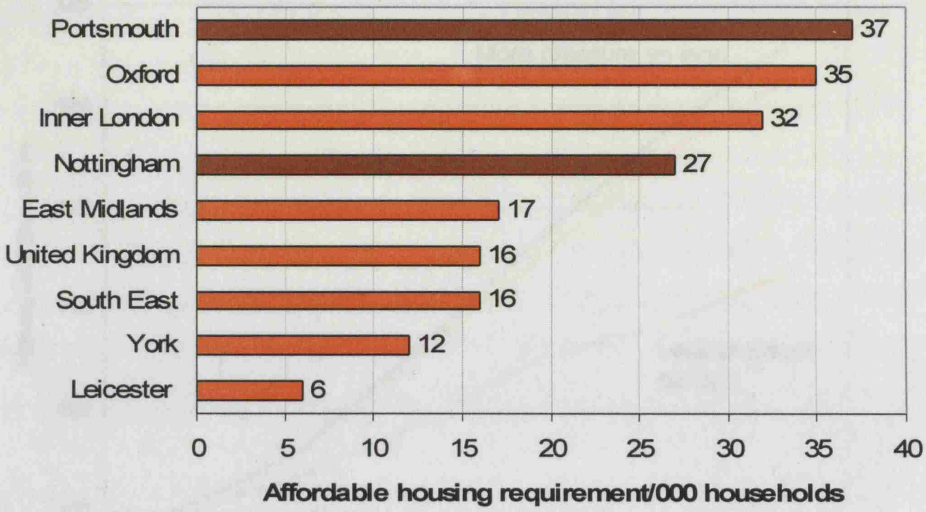
Figure 7: House price to income ratio




A considerable proportion of residents in both cities have difficulty affording open market housing (69% in Nottingham and 79% in Portsmouth) indicating a large demand for affordable units (ONS, 2007). In Portsmouth the shortage of affordable units has reached a 'critical' condition and the level of need for new affordable housing is now over twice the UK average (PCC, 2007)[3]. There is currently a shortfall of 2,964 affordable housing units each year to 2010; this represents over three times the planned yearly supply of housing (Fordam, 2005:1). In Nottingham the shortage is not as severe; over a policy period of 5 years there is an additional need for affordable housing of 619 a year – equivalent to some 55% of the average annual total of completions over the past three years (NCC, 2006: 62). In Nottingham some submarkets have no need or a surplus of affordable housing because they have a large existing supply and turnover of social housing (Three Dragons, 2007). Figure 8 below provides reasonably indicative levels for the typical levels of affordable housing or shortage found across Britain.

[3] 'Affordable housing' is defined as housing, which 'includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market (CLG, 2006: 25).

Figure 8: Typical levels of need for affordable housing units




Source: Data from PCC, 2005; NCC, 2006 and Cambridge Centre for Housing and Planning Research, 2006[4].

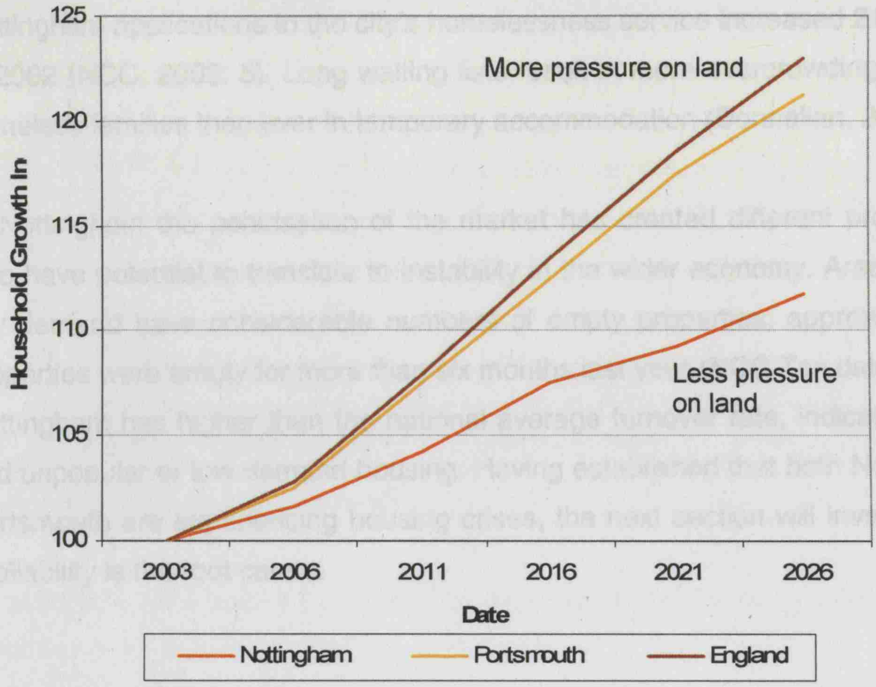
Portsmouth has a much bigger shortage of affordable housing units than Nottingham, the South East and the East Midlands. The number of households unable to afford to buy market housing is substantially higher than the number of affordable housing units available in both cities, but the gap is particularly severe in Portsmouth and thus produces a crude need for more affordable housing.

**Demand for Housing**

Demographic change, lifestyle choice and economic growth have all increased household formation rates. In both areas a rapid increase in the number of households is forecast, putting increasing pressure on the already strained housing stock. Portsmouth's resident population is projected to increase rapidly from around 189,000 at present to 193,600 by 2011 (PCC, 2006: 5). Population increase in Nottingham will be slower; from 267,100 in 2001 to 281,400 in 2011 (NCC, 2006: 30). In Nottingham the rate of household formation will be below the national average because there is significant out migration of young families to the surrounding more affluent suburbs. Figure 9 illustrates household projections.

[4] In order to 'standardise' the levels of need/shortage for local authorities of widely varying scale, the shortfall/surplus of affordable housing has been divided by the numbers of thousands of households in the Council area, i.e. the value for Portsmouth is 37 per 1,000 (calculated as (2,964/81,000)×1,000).

Figure 9: Household projections index




Source: DCLG, 2004-based Household Projections

There is clearly a rapidly increasing demand for housing in both areas. This finding is supported by the housebuilders survey in which no companies in Nottingham or Portsmouth cited lack of demand as a factor hindering them from building houses. In both areas projections suggest that the number of single households will increase considerably. In Nottingham a demand for affordable family housing in outer city areas has been identified as a priority in order to encourage families to stay in Nottingham (Three Dragons, 2007).

**A Housing Crisis**

Results indicate that both Nottingham and Portsmouth are currently experiencing affordable housing crises that look set to worsen as the number of households increases dramatically. The consequences of the housing crisis are wide ranging and include homelessness, overcrowding and long housing waiting lists. In Portsmouth there are already nearly 9,000 people on the housing waiting list[5], but only 1,500 properties per year are made available for allocation. Nottingham Council were only able to accept 1,160 of the 4,555 applications into social housing in 2001. In both

[5] Portsmouth City Council and Nottingham City Council operate common housing registers involving Council stock; properties are allocated to those considered to be in the highest housing need, with the homeless considered the highest priority.

areas the numbers on the waiting list have been rising steadily in recent years; in Nottingham applications to the city's homelessness service increased 21% from 1998 to 2002 (NCC, 2003: 5). Long waiting lists result in more overcrowding, sharing and homeless families than ever in temporary accommodation (Donnellan, 2004).

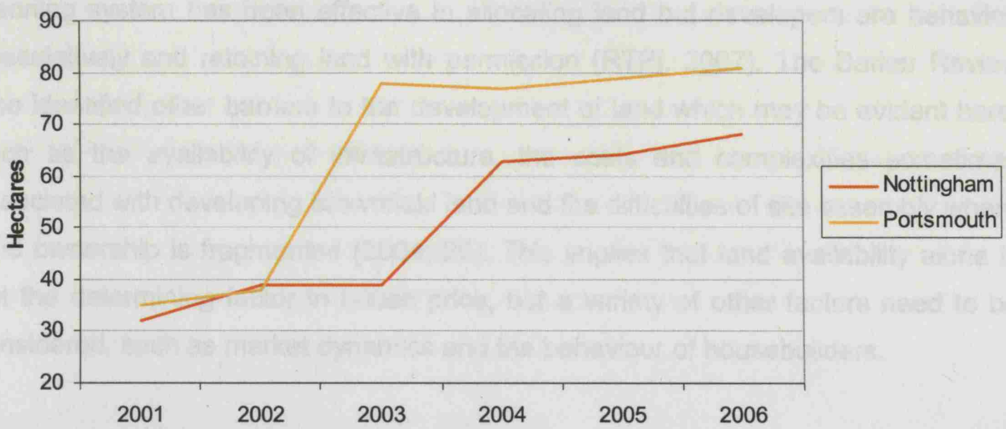
In Nottingham the polarisation of the market has created different problems which also have potential to translate to instability in the wider economy. Areas affected by low demand have considerable numbers of empty properties; approximately 2,400 properties were empty for more than six months last year (NCC Tax database, 2006). Nottingham has higher than the national average turnover rate, indicating 'churning' and unpopular or low demand housing. Having established that both Nottingham and Portsmouth are experiencing housing crises, the next section will investigate if land availability is the root cause.

## 5.2 DOES AN INCREASE IN THE SUPPLY OF LAND FOR HOUSING RESULT IN A REDUCTION IN HOUSING COST IN NOTTINGHAM AND PORTSMOUTH?

**Land Availability**

In both Nottingham and Portsmouth brownfield land accounts for the significant majority of available land. In Nottingham over the last five years, about 93% of residential development has occurred on previously used land (NCC, 2006: 15) and in Portsmouth of the 4,700 new dwellings completed between 1991 and 2001, 86% were built on brownfield sites (PCC, 2006: 2.61). Even then, most of the remaining 'greenfield' homes were on land reclaimed from the sea. More recently 100% of completions have occurred on previously developed land and all of Portsmouth's current allocations for future housing are wholly or predominantly previously developed sites (PCC, 2005b). Nottingham has a number of 'greenfield sites yet to be developed' so a target of 85% of housing to be on previously developed land has been set (NCC, 2006: 15). Figure 10 illustrates trends in the amount of brownfield land in each city that is suitable for housing.

Figure 10: Previously developed land that is unused and suitable for housing




Source: National Land Use database[6]

Portsmouth's total land area is smaller than Nottingham's so greater proportion of Portsmouth is brownfield and unused, however in both areas this category only accounts for a small proportion of the area (1.4% in Portsmouth and 0.9% in Nottingham). The amount of vacant land in Portsmouth has remained relatively constant except for a rapid period of increase between 2002 and 2004 which has been sustained since then, this could be the result of a small number of large sites coming forward, for example the former Hilsea Gasworks site which is 13 hectares. Although unused land accounts for a smaller proportion of the total land in Nottingham it has increased year on year since 2001, including a rapid period of increase between 2003 and 2005. This is largely due to the decline in manufacturing in the city resulting in a lot of large vacant industrial land many of which are located along the River Leen. The number of people employed in manufacturing jobs in Nottingham has declined sharply by 36% since 1998 (Three Dragons, 2006: 10). In Nottingham land allocated for housing in the Local Plan has therefore been 'topped up with derelict industrial land' (interview with Shaw, 2007).

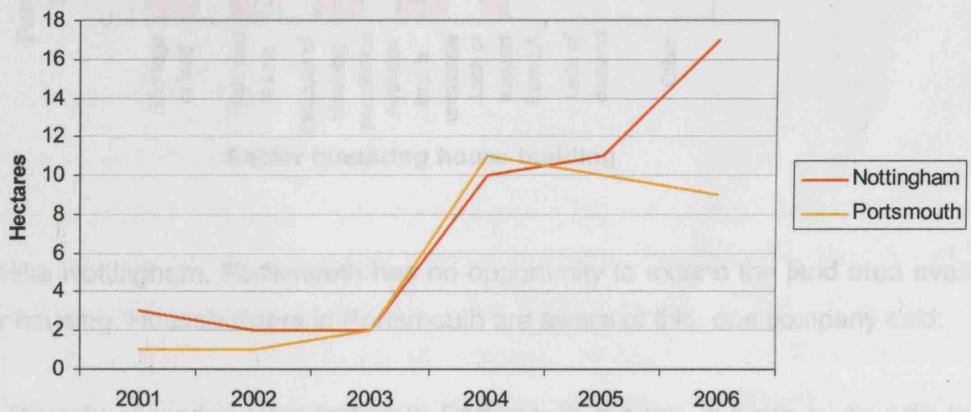
The land availability statistics can be misleading because they do not clarify if the sites which are available are the same year on year. In Portsmouth land availability has remained the same for the past few years, this could mean that land has been used and replaced with new vacant land, or that available land has not been

[6] The National Land Use database commenced in 2000 and figures are therefore not available prior to this. Area figures include previously developed vacant land, derelict land and buildings, vacant buildings and vacant land currently in use with planning allocation, planning permission or other known potential.

developed. If the latter is the case it highlights the issue of land-banking whereby the planning system has been effective in allocating land but developers are behaving speculatively and retaining land with permission (RTPI, 2007). The Barker Review also identified other barriers to the development of land which may be evident here, such as the availability of infrastructure, the costs and complexities sometimes associated with developing brownfield land and the difficulties of site assembly where land ownership is fragmented (2004: 25). This implies that land availability alone is not the determining factor in house price, but a variety of other factors need to be considered, such as market dynamics and the behaviour of housebuilders.

Figure 11 looks more specifically at land occupied by vacant buildings; for Nottingham it has increase in line with the overall increase in vacant land. In Portsmouth it has been declining over the last few years as all vacant potential housing sites are 'invariably developed quickly as a result of pressures on a very limited land supply' (PCC, 2005b: 27).

Figure 11: Land occupied by vacant buildings which are suitable for housing

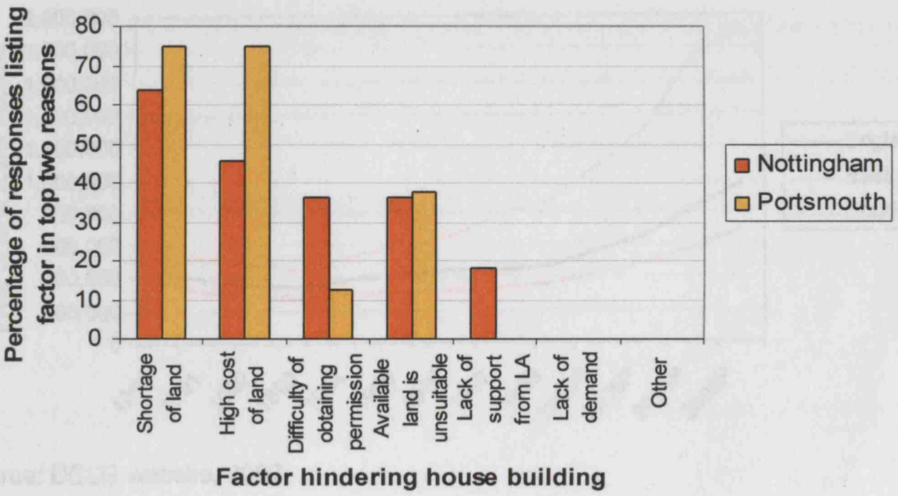



Source: National Land Use database

In addition to previously developed land, a small proportion of new housing sites in Nottingham have been developed on greenfield land thus land availability is actually slightly higher. As indicated by the land area that is greenspace, in Nottingham it is 34.6% whereas in Portsmouth it is only 23.8% of the city (ONS, 2007). In future Nottingham proposes releasing more greenfield land to create a sustainable urban extension south of Clifton. This is part of a successful bid to become a Growth Point with Derby and Leicester, consequently housing allocations will increase by 20%.

Although figures 10 and 11 illustrate that there is land available for housing in both areas land data is limited so survey and interview data has also been used to assess land availability. The housebuilders survey finds the shortage of land to be extremely significant in hindering house building. In fact it is the most significant factor in both areas, 64% of respondents from Nottingham and 75% from Portsmouth list this in the top two most significant factors (Figure 12). A similar amount of responses cite the high cost of buying land as an important factor in Portsmouth, although this is considered less important in Nottingham, where land prices are generally cheaper as discussed later.

Figure 12: Factors hindering housebuilders




Unlike Nottingham, Portsmouth has no opportunity to extend the land area available for housing. Housebuilders in Portsmouth are aware of this, one company said:

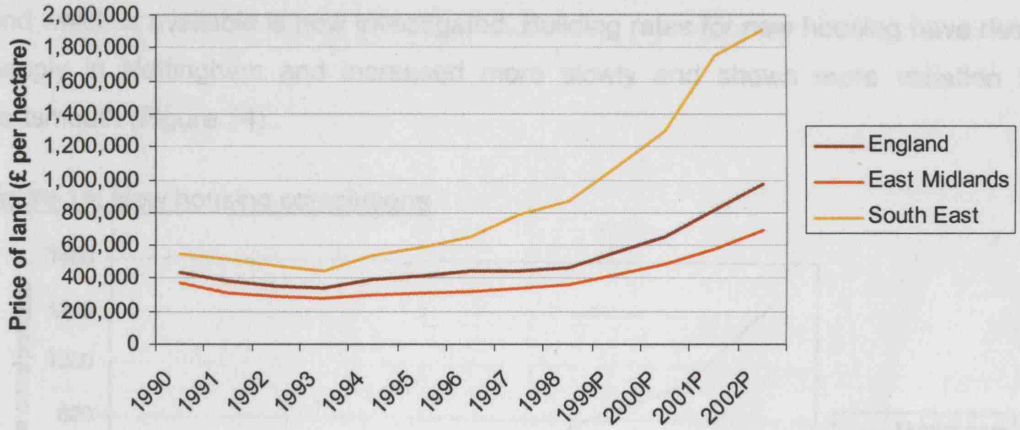
> "Supply of land is very limited in Portsmouth but this is more to do with the physical landscape, i.e. the two harbours, than planning restrictions" (P4 in Appendix 2).

Portsmouth's planning policies also recognise the scarcity of land, the Local Plan notes that 'Portsmouth is a constrained city with a shortage of land for development' (PCC, 2006: 2.3). This is emphasised by the fact that part of the net requirement of housing land allocated in the Local Plan is in the form of unidentified or 'windfall' sites, which are inherently difficult to predict' (PCC, 2006: 2.60). The Plan envisages that 'difficult choices will need to be made' when identifying sites for new homes whilst preserving the environment (PCC, 2006: 2.3). Nottingham's Local Plan also identifies a shortage of land due to the tightly drawn city boundary (NCC, 2005: 11).

**Price of Land**

Land value statistics are not available at the local scale so figures for the two regions within which the case studies fall have been analysed, East Midlands for Nottingham and the South East for Portsmouth. Land prices are considerably higher in the South East than the East Midlands and England as a whole, and have also risen more rapidly (Figure 13).

Figure 13: Regional trends and predictions in price of land




Source: DCLG website, 2007

The cost of land has risen most significantly in the South East because demand is higher and land constraint greater (DEFRA, 2007). In 1993 the average price of land was 98 times that of agricultural land in the South East and 87 times that in the East Midlands, suggesting lower levels of constraint on supply in the East Midlands. By 2001 land cost in the South East had risen to 158 times that of agricultural land, but in the East Midlands it had fallen to 74 times, indicating that the constraint of land had fallen in the East Midlands but risen in the South East (DEFRA, 2007). The difference in prices between the two regions has increased over time, suggesting that increase in demand from developers has been concentrated in the area with the least available land, raising already high land prices further still. In the housebuilders survey, when asked how significant restrictions on land supply are, one respondent from Portsmouth replied:

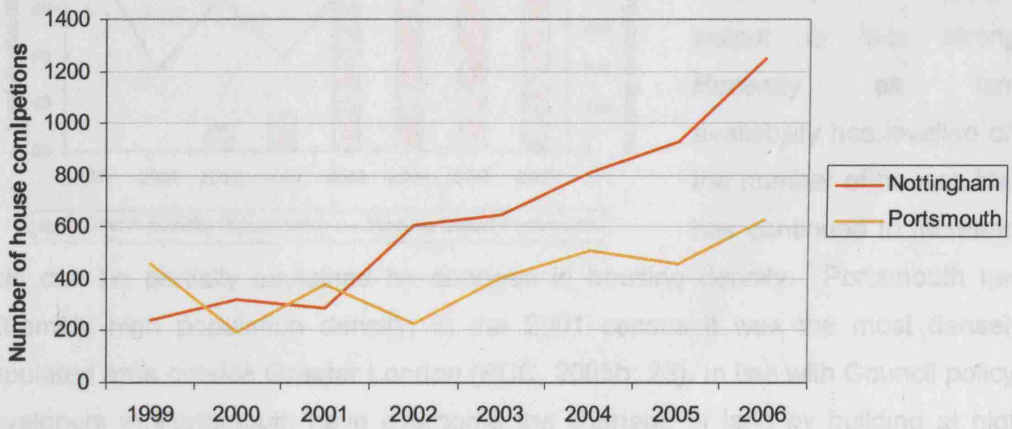
> "Very significant, many developers are chasing the same plot of land and trying to outbid each other which pushes up the price of land" (P2 in Appendix 2).

This indicates that the shortage of land in Portsmouth has increased land price. In Nottingham a similar situation was identified, one respondent claimed that houses are 'expensive because land costs have risen so much' (N7 in Appendix 2). Data suggests that a shortage of land increases the cost of land; this was also found to be the case in previous literature (Cheshire & Sheppard, 2004). The relationship between land availability and housing output will now be studied to see if it displays a similar relationship.

**Housing Output**

The assumption that the number of houses built is directly related to the amount of land which is available is now investigated. Building rates for new housing have risen steeply in Nottingham and increased more slowly and shown more variation in Portsmouth (Figure 14).

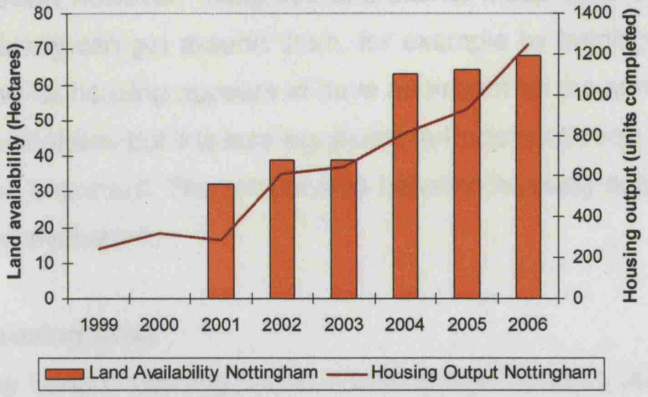
Figure 14: New housing completions




Source: DCLG website, 2007.

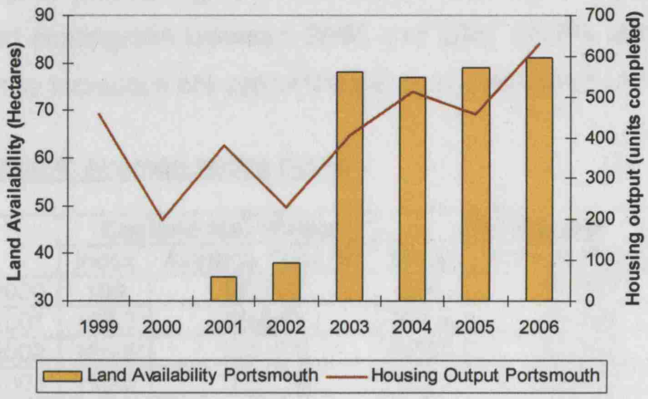
The variability in Portsmouth's housing output may be explained by the variable supply of land, because as Stewart (2007) highlights 'the supply of land is an absolute constraint, if there is no land no houses can be built.' In Nottingham the more reliable supply of land is likely to result in housing output increasing steadily. When housing output is compared to land availability a correlation can be seen in Nottingham, whereas in Portsmouth the relationship is less direct (Figures 15 and 16).

Figure 15: Land availability and housing output in Nottingham




In Nottingham housing output has increased at a similar rate to the increase in land available. Housing output lags behind land availability changes due to the time required for building.

Figure 16: Land availability and housing output in Portsmouth




In Portsmouth the correlation between land availability and housing output is less strong. Recently as land availability has levelled off, the number of houses built has continued to increase. This can be partially explained by changes in housing density. Portsmouth has extremely high population density, in the 2001 census it was the most densely populated area outside Greater London (PCC, 2005b: 26). In line with Council policy, developers in Portsmouth have overcome the shortage of land by building at high densities. Over the period 2000 to 2005, a crude assessment of residential density (calculated by dividing total number of units approved by total site area) indicates that the average density for large schemes (over 10 units) in Portsmouth was 135 dwellings per hectare (PCC, 2005b: 26). In Nottingham housing density has averaged 53 dwellings per hectare over the last ten years (NCC, 2005: 20). The more liberal attitude of Nottingham Council indicates they are less concerned about land shortage than Portsmouth.

However there are alternative explanations for variable housing output, most notably the behaviour of housebuilders, but also restrictions resulting from the financial climate or labour availability. The Barker Review pointed to the reluctance of housebuilders to invest for the long term and to employ direct labour (2004: 25). Stewart however, disagrees and claims these factors are insignificant because the industry can get around them, for example by training more builders. The supply of land for housing appears to have an impact on the number of houses that are built in Nottingham, but it is less significant in Portsmouth and in both cases other factors are also important. The relationship between housing output and the cost of housing is now evaluated.

**Housing Cost**

The trend in housing prices in both areas has been upwards (Table 4). House prices in both areas are below the national average, but they are particularly low in Nottingham, as Shaw notes 'Nottingham hasn't got seriously high house prices overall' (2007). Figure 17 shows that house prices have risen sharply in Portsmouth and Nottingham between 2000 and 2007 (107% and 114% respectively), but both these increases are below the national average of 118%.

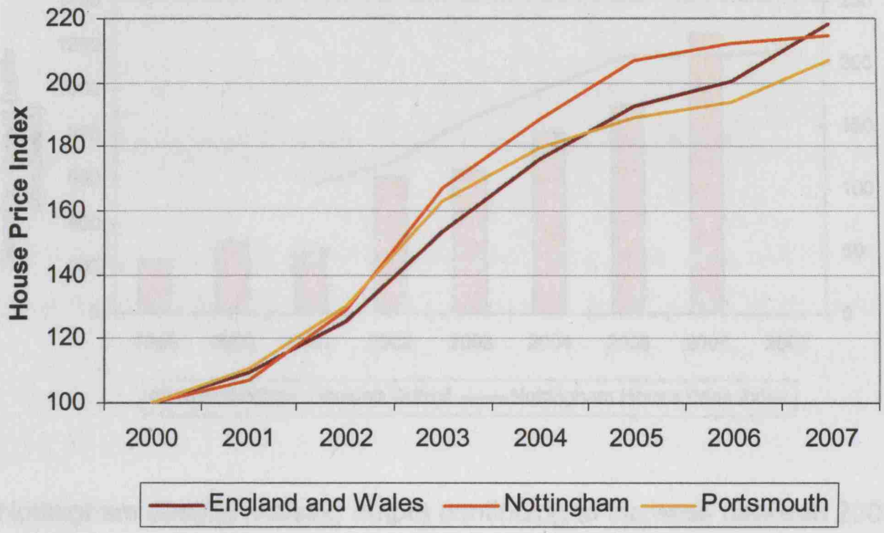
Table 4: Average house prices

| | England and Wales | | Nottingham | | Portsmouth | |
|---|---|---|---|---|---|---|
| | Index | Average Price (£) | Index | Average Price (£) | Index | Average Price (£) |
| 2000 | 100 | 82,251 | 100 | 47,667 | 100 | 77,085 |
| 2001 | 109.3 | 89,890 | 107.3 | 51,134 | 110.6 | 85,268 |
| 2002 | 126.8 | 103,473 | 129.1 | 61,537 | 130.2 | 100,336 |
| 2003 | 153.3 | 126,113 | 167.1 | 79,673 | 162.9 | 125,566 |
| 2004 | 176 | 144,733 | 188.6 | 89,910 | 179.4 | 138,267 |
| 2005 | 192.6 | 158,386 | 207.1 | 98,743 | 189.3 | 145,893 |
| 2006 | 200.4 | 164,846 | 212.2 | 101,143 | 193.7 | 149,324 |
| 2007 | 218 | 179,269 | 214.7 | 102,327 | 207.1 | 159,638 |

Source: The Land Registry, 2007

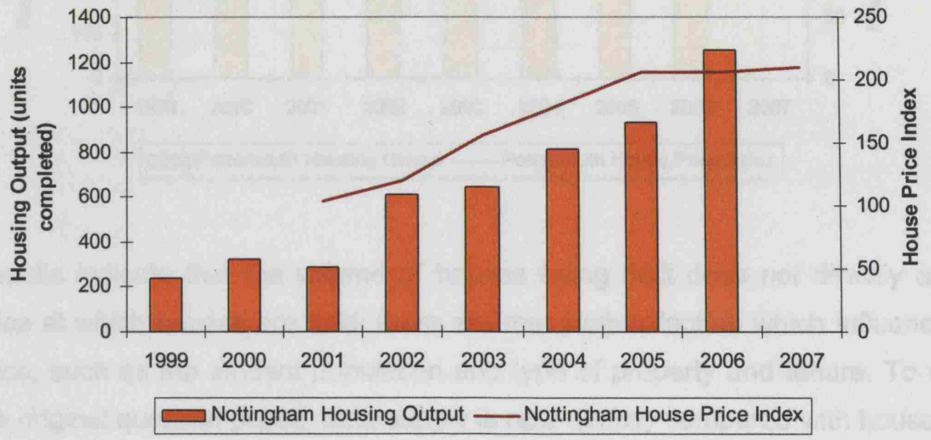
House prices have diverged since 2001; it was at this time that the terrorist's attacks in New York led to equity moving from the stock exchange into the housing market, which may have had an influence on house price. In Nottingham house prices rose more sharply towards the beginning of the decade but more recent trends indicate that house price increases are slowing down, between 2005 and 2007 they increased just 3.6% compared to 9.4% in Portsmouth and 13% nationally. Between 2006 and 2007 they went up by just 1%, which is the lowest increase in the country (BBC, 2007). Prices have peaked in some areas of Nottingham, but polarisation of prices has increased. House prices vary by type, size and quality, but variation due to location is often greater in Nottingham, with average prices in some areas more than three times that in the lowest (Three Dragons, 2007: 7). Some central areas appear to be suffering a marked decline in prices, which 'may be due to saturation of some market segments such as city centre flats' resulting in greater availability (NCC, 2006:14). This may lead to a reduction in prices, making some housing more affordable, however Nottingham Council is concerned that it could also lead to long term empty buildings, abandonment, or even dereliction.

Figure 17: Housing price index comparison




The stabilisation of prices in Nottingham is not just affected by land availability, the long run trend of out migration of middle class families to the more affluent suburbs is also important. The schools are better in the surrounding areas and the city doesn't offer the package many families are after, this is evident by the low proportion of families with children in the inner area of Nottingham (Three Dragons, 2007: 3). The type of housing is also significant; Nottingham has a large proportion of local authority housing which is right to buy, helping to keep prices down (interview with Shaw, 2007). Nottingham Planner Karen Shaw also points to the changes in the student market having considerable influence. Nottingham has a large student population (10% in 2001 compared to 3.1% nationally, NCC, 2007) and the universities have recently been building large numbers of purpose built student accommodation, meaning privately rented student houses hit 'rock bottom' prices due to lack of demand. In Portsmouth students were also identified as a factor in house price, but this time increasing prices. Portsmouth has an increasing student population, but a lack of purpose built accommodation. Planner Mike Allgrove highlighted that a lot of property in the city has been bought by student's parent's then rented out, the property is often retained as an investment by the parents after the student has graduated, meanwhile more parents are looking for property in the city thus increasing demand and pushing up prices. In order to better understand the cause of house price increases, prices have been compared to housing output in Figures 18 and 19.

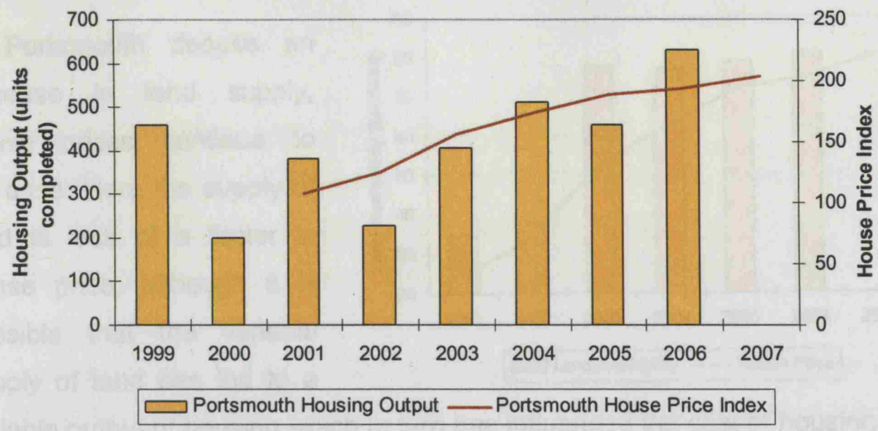
Figure 18: Comparison of housing output and house price in Nottingham




In Nottingham despite housing output continuing to increase between 2001 and 2006 house prices also increased, however since 2005 house prices have stabilised. In Nottingham there is a projected demand for high quality residential units from tenants, owner occupiers, students and inward migrants, however the supply of city centre markets has 'moved ahead of demand'. There is now 'an overhang of supply in the market, especially for smaller one-bedroom units which means that developers and vendors are finding it difficult to achieve asking prices '(Knight Frank, 2007:6). An increase in supply has led to a reduction of price. Prior to this demand for housing was outweighing supply and consequently prices were increasing.

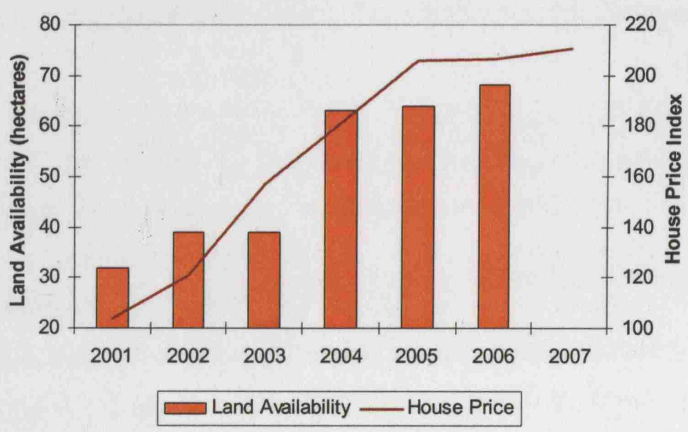
In Portsmouth housing output shows more variability yet prices continued to increase steadily between 2001 and 2007, perhaps indicating that demand is not being met. Whilst housing output is increasing, new demand for houses is also increasing.

Figure 19: Comparison of housing output and house price in Portsmouth



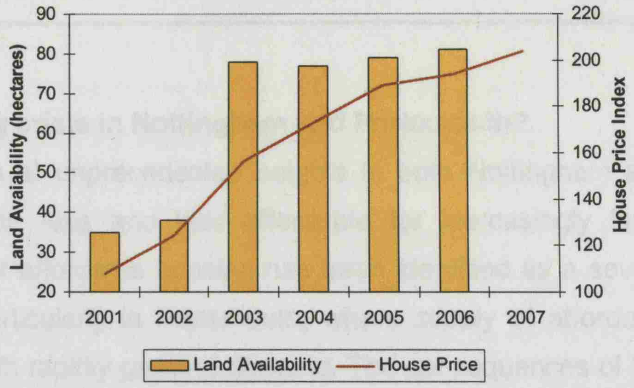

Results indicate that the volume of houses being built does not directly affect the price at which houses are sold; there are many other factors which influence house price, such as the student population and type of property and tenure. To return to the original question posed, land supply is now directly compared with house price in Figures 20 and 21.

Figure 20: The relationship between land supply and house price in Nottingham




In Nottingham an increase in land availability is followed by a stabilising of house prices. Land availability is therefore one factor in stabilising house prices because an increase in land has meant that land is cheaper to buy and more houses have been built. Consequently demand is starting to be met and house prices are calming. However the levelling off has only occurred for a short period and it remains unclear if this is set to be a long-term trend or contingent fluctuation.

Figure 21: The relationship between land supply and house price in Portsmouth




In Portsmouth despite an increase in land supply, house prices continue to increase. Here the supply of land is less of a factor in house price, although it is possible that the variable supply of land has led to a variable output of housing which in turn has influenced the cost of housing.

In both cities, but particularly Portsmouth, land availability does not have a direct or distinguishable impact on house prices. This evidence conflicts with the findings of the Barker Review, which uses an economic viewpoint to claim that simply releasing more land for housing will decrease prices. The problems of affordability identified at the beginning of this chapter are unlikely to be solved using the Barker approach in Nottingham and Portsmouth.

# 6. CONCLUSION

**Is there an affordable housing crisis in Nottingham and Portsmouth?**
Open-market house prices are at unprecedented heights in both Nottingham and Portsmouth, and have become less and less affordable for increasingly large numbers of people. The lack of affordable housing has been identified as a severe problem in both areas, but particularly in Portsmouth, where supply of affordable housing is not keeping pace with rapidly growing demand. The consequences of this are wide ranging and include overcrowding, long housing waiting lists as well as recruitment and retention problem in key services. The situation is likely to worsen as demand for housing is increasing rapidly.

**Does an increase in the supply of land for housing result in a reduction in housing cost in Nottingham and Portsmouth?**
Nottingham has seen a significant increase in the amount of vacant buildings suitable for housing as a result of the decline in manufacturing in the city, at the same time there has been a dramatic increase in house building. In Nottingham an increase in supply of land for housing appears to correlate with an increase in housing output and is therefore one factor in the stabilisation of house prices since 2005.

In Portsmouth the relationship between land supply and house price is less direct. Interview and survey data suggests the city has a severe shortage of land which is a barrier to development. Land for housing has shown considerable variation and this has been translated into a more variable and modest output of housing, although to a certain extent developers have been able to overcome the shortage of land by building at higher densities. House prices have increased rapidly since 2001 despite overall increases in land supply and housing output, indicating that demand is not being met and land availability does not have direct influence on house price.

## 6.1 DISCUSSION
This study comes at a time when the Government are about to embark on a large scale house building programme in which releasing large areas of land for development is a critical action to reduce house price. This research has highlighted that although sufficient land availability appears to be one factor in stabilising house prices in Nottingham, the relationship is by no means direct. Portsmouth has already

seen an increase in the supply of land but house prices are still rising. Evidence presented in this research suggests that British housing policy has been built around a set of ideas and assumptions that are now deeply flawed. The central finding of the Barker Review is too simplistic, in narrowing down the focus to land supply the affordability problem it is less likely to be solved. This study fully accepts that land supply is one factor influencing house price however alternative explanations for the affordable housing crisis need to be considered. Discussions need to include all three schools of thought outlined in the literature review, rather than just focusing on economic analysis. As Malpass highlights what we need is a thorough investigation of the housing system as a whole and a commitment to reform across the board (2007: *viii*). There is a requirement for a clearer understanding of the components of housing supply; in Nottingham and Portsmouth the type of property and tenure, as well as the student population have significant influence on house price movements. More broadly the behaviour of the house building industry in such activities as land-banking must be considered as part of a combination of factors. Releasing large amounts of land for development will not alone solve the problems. It is necessary for much wider and better informed discussion and a cross-sectoral response, including a significant increase in the supply of social housing and affordable housing.

## 6.2 WIDER IMPLICATIONS

This research has provided valuable insights into the relationship between land availability and house price in Nottingham and Portsmouth. It has also investigated the magnitude of the consequences of rapidly increasing house prices and a lack of affordable housing.

Further research is recommended to build on the findings in this paper, including research to evaluate the relationship between land supply and the housing market in other areas. Other questions regarding this relationship remain unanswered and also warrant further research, they include:

- The effect that increasing affordable housing will have on the affordability crisis.
- The significance on house prices of the house building industry 'banking' land with planning permission.
- Investigation of the effects of land availability on the type of houses that are built and their cost.
- The effect of changes in tenure and types of provision on house price.

Additional research is clearly needed; the critical housing situation identified in Nottingham and Portsmouth is indicative of the national picture. The problem of affordability has not only cut first-time buyer numbers to a 30-year low but also led to the first drop in home ownership in England last year since the early 1950's (Seager, 2007). A report by the National Housing and Planning advice unit forecasts that by 2026 the cheapest 25% of houses will cost 10 times the average earnings of the poorest 25% of people. However, the affordability of housing varies markedly across the country. The housing crisis which the UK is currently facing needs to be solved through an integrated approach which provides housing solutions for everyone across the country.

# APPENDICES

## Appendix 1: Interview transcripts

.... Affordability .... Planning Policy .... Land Availability

**<u>Interview with John Stewart, Home Builders Federation Byron House, 27th June 2007</u>**

*KK: How concerned is the Home Builders Federation about the continuing trend of increasing house price? Would you consider the current housing situation to be a crisis in some parts of the country?*

JS: The general consensus of everyone is that it is a crisis. In 2004 I wrote a report called 'Building a Crisis' which argued that there was a serious undersupply of new housing which would lead to serious consequences, especially economic, which is the back ground I come from, but also social consequences. Subsequently the Treasury recognised there was an undersupply and later commissioned the Barker Review. The Treasury are now committed to increasing the supply of housing; it clearly is a major issue. Its extraordinary, in the late 1990's the Conservatives were opposed to new house building, and for the Labour Party it wasn't really an issue. Campaign to Protect Rural England (CPRE) who is in fact an anti-development lobby had extraordinary influence on the Tories and the media, at the time they were using powerful phrases such as 'concreting over England'. When I wrote the report I was concerned that I was being to emotive using the word crisis. But now for Gordon Brown affordable housing is one of the key priorities.

Another review called Euro Assessment was commissioned by the Treasury in 2003, it found that we couldn't join the Euro, for several reasons, but probably the most important was the housing market, and more specifically the undersupply of housing which could be destabilised, and this was due to the planning system. This issue has had a very interesting history; I first met the Treasury in 1994 to talk about the problems of the planning system, and there was an open door at the Treasury, but it was eight or nine years until the penny to dropped. The housing affordability issues are now at the heart of all planning reforms. We need to remember that planning is only a means to an ends, the ODPM (Now DCLG) lost sight of this and planning became and end in itself.

*KK: How significant are restrictions on supply of land in determining the price set for housing?*

JS: The price of housing is set by the interaction of supply and demand. There are a number of influences on these but land is the most important supply influence. It is different to other factors because it is outside the industries control, it cones from another administration. The supply of land is an absolute constrain, if there is no land no houses can be built. There are ways around other factors, for example if there were not enough houses being build due to lack of skills the industry can cope with that and train more people. We have increase the output of this by 25% in the last twenty years. However the market cannot get around land constraint.

*KK: The RTPI have recently called for a much wider discussion of factors that affect the lack of affordability. What other factors are hindering house builders from building more housing units?*
The RTPI say we should look at demand and I have a problem with that. Research has looked at long term trends and found that there is little relationship between the need for housing and supply. Housing is absolute, everyone should have a decent home, and we should have as many houses as there are households. If prices increase does demand change? It will have some affect but research has shown that the effect is minimal, for example people won't not get divorced (creating an extra household) because housing is too expensive. The real issue is that young people may not leave home if housing is too expensive. Until recently we have not heard the negative impacts of housing affordability, we have heard about the benefit of protecting the greenbelt. Does the benefit of protecting the green belt outweigh not having enough homes for young people?

*KK: So to what extent does supply affect price?*
JS: If supply is restricted house price increases, and this creates a serious imbalance. It's a complicated matter. There have been several different studies; Glen Bramley (Heriot Watt University) did a study and Geoff Meen from Reading has produced a lot of work. He made a model for the ODPM which looked at the relationship between new housing supply and housing price, and found that there was only a modest decrease in price with increase in supply. The model can be found on the National Housing and Planning Advice Unit website, they are custodians of his work. Everyone says that there is shortage of housing and that housing prices are high but people don't understand the link between them.

*KK: Are there any particular local, regional or national planning policies which prevent more housing units being built? What changes to policy would HBF like to see?*
JS: We have a plan led system which came in with the 1991 act. It said every Local Authority will have an adopted plan, but by 2001 most didn't and if they did it was out of date. Clearly the plan led system didn't work. A plan led system inevitably led to an undersupply of housing, the idea is to work out what supply we need but there are three possibilities, either too much land is provided, just the right amount is provided or too little is provided. If too much land is provided there still won't be an oversupply because house builders won't build too many houses if there is no market. Some Local Authorities will provide too little land. If you add it all up you will get an undersupply. It is in the nature of the development of land that not all land eventually gets built on. Getting planning permission to build means you have permission, it is not an obligation. A plan led system inevitably leads to an undersupply. The Barker Review an oversupply of land was recommended a buffer of 30% because not all land will get developed.

PPS3 has many good things about it but there are certain requirements for it to work. Firstly Central Government's role is critical; the Regional Assemblies must set reasonable housing targets to start on the right foot. The Regional Assemblies must then cascade down the numbers to Local Authorities. Central Government must enforce this on Regional Assemblies. Local Authorities must make sure that the numbers they get are deliverable with enough land.

*KK: Would you support the introduction of housing land availability assessments which would require local authorities to work with developers to identify land that is developable?*
They now use Strategic Land Housing Availability Studies, the beauty of these is that there is a five year time horizon which is realistic, you can get a realistic steer on which sites will come forward. They have to be done with developers and are

therefore more reliable. Local Authorities will make assumptions, for example that there is loads of brownfield land. They need to sit down with the industry to look at how realistic it is that these sites will be developed. An example of this is in the East Midlands RSS enquiry Nottingham had tabled a land availability assessment which developers had never seen before, it was fiction. Local Authorities should deliver the land that builders need. It will require Central Government to make sure that the assessments are done properly. They must follow a sensible methodology. I have been lobbying DCLG saying that they should be monitoring land availability assessments and adding up the totals to see if they stack up or not. It must be enforced.

If we get all of these things right then there is a reasonably good chance that it will provide enough housing. It is likely that the annual housing target of 200,000 homes is likely to be raised.

*KK: Do you have any suggestions for how more land could be made available for development in the future?*

JS: Another study has been done by John Callcutt. The Government's priority is brownfield land but there aren't sufficient policies to make sure we bring forward more brownfield land. The amount of developable land has fallen because the amount of greenfield land has decreased. We need policies to bring forward more brownfield land.

The development industry is brilliant at finding land opportunities, they are very good at assembling land, making at viable and bringing it through the planning system. However if they think that they are unlikely to get planning permission they won't do that. So we need to encourage the development industry to bring forward brownfield land, they will find opportunities. We need to create a climate where the public sector can thrive. If house builders thought they had more change of gaining permission they would bring forward more land. The new system will help, but put simply – if you discourage people from doing something they won't do it, and vice versa. There are other issues such as infrastructure. Regeneration areas need more than just the private sector; they need institutional arrangements with the public sector.

Local Authorities must them look at how much brownfield land has come up and top it up with greenfield land. The great problem with the system is that people have pretended that not enough houses is not a problem. Protecting greenfields is seen as a positive and no one looks at the negative impact of a lack of housing. Local Authorities should make a realistic assessment of how much greenfield land can come forward, picking the most suitable sites first.

.... Affordability .... Planning Policy .... Land Availability

**Interview with Karen Shaw, Nottingham City Council, 6th July, Exchange Buildings Nottingham**

*KK: How concerned is Nottingham City Council about the long term trend of increasing house price? Would you consider the current housing situation to be a crisis?*
KS: It is interesting, Nottingham hasn't got seriously high house prices overall. As part of the evidence base for the LDF we studied the Nottingham Core Housing area and found that Nottingham doesn't have high house prices overall. In the context of the area there is a polarisation of the city where prices are low and the suburbs where house prices are much higher. The housing markets are very different, especially Broxtowe which has the biggest house price increases. There are still real problems of affordability in the suburbs. In the city there is poor housing and a lack of demand. So the council is not as concerned as say Portsmouth is but there are still some issues which are concerning. The apartment market in Nottingham is very different; Knight Frank recently conducted a survey which found that the market is at saturation point which has implications.

*KK: Despite the long term trend of increasing house prices, in the last couple of years growth in house prices in the city has slowed, why is this?*
KS: There are a few reasons. Firstly the city boundary is very constraining, and the inner city housing stock consists of a lot of local authority housing which is right to buy. If you look at the social housing stock it is high in Nottingham. Prices have also slowed because we have got a big student area, and we have been building purpose built student accommodation. Landlords often over inflate prices, but now we are taking students out of the market so the prices go rock bottom. The houses are often not suitable for family housing because they have been modified so much. Looking at the city centre market, some people say there are too many apartments now.

Another reason is migration, due to the location of the boundaries; Nottingham doesn't have very desirable suburban housing so there is a problem with retaining families in Nottingham. The schools are also better outside Nottingham so people don't stay in the city because it doesn't offer the package they are after. The income statistics in the Housing Market Assessment will help show this.

*KK: How has the amount of land available for development in Nottingham changed over the last twenty years?*
KS: It has changed quite a lot because there has been a decline in manufacturing which has left a lot of large vacant industrial land, there are loads of old employment sites along the River Leen. We have always allocated sufficient housing sites, but this has been topped up with left over employment land. PPS3 now encourages us to convert other uses to housing. Also the Government have had a drive to build on brownfield land and high densities. We have built a lot of apartments for example in the Lace Market because there have been more opportunities in the last five years, there are more different places to build.

*KK: Would you agree with critics who argue that the fundamental reason driving the rise in the real price of housing is the increasing constraint on the supply of land applied by the British land use planning system?*
KS: I would disagree, the planning system is really important to have that control. There are many other reasons that play a part. The new LDF system is meant to improve and speed things up, if it worked would it change things? We can review

things much quicker now. The planning system if there for a reason and there are things we can do to change.

*KK: What planning policies does the Council have to encourage house building and how successful are they?*
KS: In the Local Plan there is a list of policies setting out for example setting out the amount of land, densities and the conversion to residential. Also Supplementary Planning Guidance details the three regeneration zones, Southside, Eastside and Waterside, this sets out vast new numbers of housing. We have also bid to be a Growth Point, we joined with Derby and Leicester to sign up to a 20% increase in our housing allocations and have been successful in that bid. So we have to build more housing than allocated in the RSS and we get extra money to use in on infrastructure and studies. We would like to build a sustainable urban extension south of Clifton. There is currently an examination in public of the RSS, and the numbers are being debated. It may come back and say that we haven't assessed all the other potential sites for the extension. The Growth Point is a way of delivering more housing.

*KK: How does the Council ensure sufficient affordable housing is provided?*
KS: The housing chapter of the Local Plan sets out the policies and we have supplementary planning guidance. We have combined with South Nottinghamshire to do an affordable housing study which is how we get the figures, we use the Bramley Model. PPS3 has set new lower thresholds for affordable housing, lower than ours. So the Housing Market Assessment gives a figure of 40% overall for the area but for use it translates to 21%. In Nottingham we need to test the economic viability of that.

*KK: Are there any particular regional or national polices which prevent you from allowing more housing developments?*
KS: I don't think there are. The RSS will not set a figure that is restrictive. The Strategic Housing Land Availability shows we can accommodate 1,300 dwellings per year, but that was just an unmechanistic study, actually the figure is about 1,000pa. Flooding is the only other constraint; we now have to do strategic flood risk assessments for the River Leen and River Trent. PPS25 is really restrictive since it talks about no development on flood plains and moving housing out. The type of manufacturing we have had in Nottingham, such as bleachers and dyers have left massive sites in these areas which are all in the 100 year flood zone. The policy would mean that we couldn't build in huge proportions of the city. But there are massive regeneration needs there and large derelict sites.
*KK: What effect do you think relaxing planning policy (for example following Kate Barker's advice for a presumption in favour of development) would have on the rates of house building in Nottingham?*
KS: It's not really an issue for Nottingham; we don't have massive greenfield sites. All the sites we can build on we are! This is in contrast to Rushcliffe where the situation is very different. They are working with the Local Plan but the didn't agree with the inspectors findings on housing allocations so are working to a plan with no housing allocations and are resisting everything. PPS3 states that planning applications are determined in accordance with RSS. Perhaps the resistance to housing in Rushcliffe has led to more in Nottingham. So overall this is not important.

.... Affordability .... Planning Policy .... Land Availability

**Interview with Mike Allgrove, Portsmouth City Council on 2nd July 2007 at Portsmouth Civic Offices**

*KK: How concerned is Portsmouth City Council about the continuing trend of increasing house price?*
MA: We are very concerned; Government statistics show that in twenty years time only about 10% of 30 year old couples will be able to purchase a house.

*KK: Would you consider the current housing situation to be a crisis?*
MA: I'm not sure that it's a crisis, but the situation is certainly critical. We will know when it is a crisis because there will be a big increase in homeless people banging on the Council's door.

*KK: How has the amount of land available for development in Portsmouth changed over the last twenty years?*
MA: Actually there is slightly more now, we have had some very major schemes come through, for example the Historic Ships car park has 500 units. Gunwharf is another major scheme with lots of dwellings. Portsmouth has no green field sites left.

*KK: Have any of these schemes been built on land reclaimed from the sea?*
MA: No there has not been any land reclamation recently; the last project would have been Port Solent.

*KK: Would you agree with critics who argue that the fundamental reason driving the rise in real price of housing is the increasing constraint on the supply of land applied by the British land use planning system?*
MA: No I personally wouldn't. The main reason is the fact that the stock market has not been performing so well from the mid 1990's onward. People have been investing in property instead of stocks and shares. There has also been a big increase in students in the city, lots of parents are buying a property for their child to live in an renting it to their friends, after the three years they are keeping the house as an investment, meanwhile the next generation of students are coming through. Also in Gunwharf a lot of flats are bought to let in the private rental market.

*KK: What planning policies does the council have to encourage house building and how successful are they?*
MA: We have a wide range of policies; we identify a regional housing figure, we need to accommodate approximately 3,000 dwellings and we identify sites for this number of houses. In some instances there is provision for more, for example at the City Centre North site we allowed 100 dwellings, but actually granted permission for 200 dwellings. The Pompey village site was also not identified on our list but 500 flats will be built there to help regenerate the area.

*KK: Do you work with developers to identify sites?*
MA: Yes we work closely with developers. We have several consultation phases and also consult the public. We always consider sites that developers put forward, if we don't include that particular site, the developers can put their case in front of the planning inspectorate.

*KK: Are there any particular regional or national policies which prevent (or help) you from allowing more housing developments?*
MA: We are certainly hindered by PPS 25: Flooding, and also the sequential approach to allocating land. If we apply the regional targets bearing in mind PPS25 regional housing targets will increase in areas which don't have any flood plains. If this makes sense or not is another question!

*KK: How does the Council ensure sufficient affordable housing is provided?*
MA: Our city wide affordability target is 30% for dwellings over 10 units; this is all set out in Policy DC40.

*KK: Is this a sufficient target for Portsmouth?*
MA: No, it's not sufficient; our housing waiting list has over 10,000 people on it. All evidence shows that we need to build more affordable units than we will ever achieve through this policy. The reason not enough units are being built is down to funding. If Housing Corporations had more money from the Government they could build 100% affordable housing developments. The lack for affordable housing units nationally is not so much to do with planning policy as a lack of government funding to Housing Corporations.

*KK: What effect do you think relaxing planning policy (e.g. following Kate Barker's advice to build on 'white land') would have on the rates of house building in the city?*
MA: Well it's the antithesis of planning isn't it? The attitude is let the market decide and I'm not sure that it is right. There are mechanisms within the current system to ensure that enough housing is provided. The Government issue targets in the Regional Spatial Strategies and if they want they can direct Local Authorities to provide more housing. If authorities don't allocate enough land to meet the figure given to them, then their plan will be found unsound. What is missing is a National Plan for England as a whole. The plan would say we need this number of units. We do have housing projections which feed into the Regional Spatial Strategies.

The Barker Review looks at the housing market in terms of supply and demand but I'm not sure that the housing market works in the way Barker describes, for example single people don't usually live in one bedroom housing, people will tend to but the best house they can afford, and borrow the maximum that they can in order to buy a bigger house.

It would certainly be worth you looking at the Partnership for Urban South Hampshire's Housing Market Assessment which looks at how many houses we need in this area. It advocates an increase of 20% on current building rates, which is quite an increase. For Portsmouth however, if you take out the big developments already in the pipeline our allocation will be approximately 735 dwellings per year, which is what we've been building for the past 25 years anyway, but it may be a big increase for other authorities.

## Appendix 2: Housebuilders survey

### Housebuilders Survey

I am studying MSc Spatial Planning in London and am conducting a dissertation investigating how land availability affects the cost of housing, with specific reference to Nottingham and Portsmouth. A vital part of this research will be to gauge housebuilder's opinions and I would therefore be extremely grateful if you could complete this short survey and return it to me in the enclosed stamped addressed envelope. All results will be reported anonymously.

**1.** Company Name ..............................................................................

**2.** In an average year how many housing units do you build in Portsmouth and/or Nottingham?

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**3.** How much land (in plots or area) do you currently hold planning permission for? ..........................................................................................

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**4.** Are you hindered from building more housing units by any of the following factors?

Please rank in priority order 1= most significant factor, 7 = least significant factor. Please leave blank factors which are not significant.

a. Lack of demand for housing ☐

b. Difficulty of obtaining planning permission ☐

c. Lack of land available to build on ☐

d. High cost of land ☐

e. Lack of support from local authority ☐

f. Available land is physically unsuitable ☐

g. Other, please state................................ ☐

**5.** How significant are restrictions on supply of land in determining the price set for housing?

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**6.** Are there any particular local, regional or national planning policies which prevent you from building more housing units?

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**7.** Does the local planning authority give you sufficient support when putting forward new housing development? How could they offer more help?

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**8.** Are there any sites which you would like to build on but are prevented from doing so, for example by planning policy, cost of land etc? Where was the site and what prevented you?

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**9.** Would you support the introduction of housing land availability assessments which would require local authorities to work with developers to identify land that is developable?

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**10.** Do you have any suggestions for how more land could be developed in future?

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For further information please contact Katie Kerr on 07793675473, or e-mail: katie_kerr@yahoo.com

## House Builders Survey Key Results

Not all responses answered all questions in the survey; the following tables list key responses from Nottingham (responses numbered N1 etc) and Portsmouth (P1 responses).

| **4.** Are you hindered from building more housing units by any of the following factors? | | |
|---|---|---|
| | Number of responses listing factor in top two reasons | |
| | Nottingham | Portsmouth |
| Lack of demand for housing | 0 | 0 |
| Difficulty of obtaining planning permission | 4 | 1 |
| Lack of land available to build on | 7 | 6 |
| High cost of land | 5 | 6 |
| Lack of support from Local Authority | 2 | 0 |
| Available land is unsuitable | 4 | 3 |
| Other | 0 | 0 |
| Total | 22 | 16 |

| **5.** How significant are restrictions on supply of land in determining the price set for housing? | |
|---|---|
| Housebuilder | Response |
| N2 | They are significant because they push up the price |
| N4 | Very |
| N7 | They result in more competition for land which pushes up the cost of land; this obviously influences the price of housing. Houses are expensive because land costs have risen so much. |
| N8 | There is nothing housebuilders can do to overcome a lack of land, meaning it is very influential on house price. |
| N10 | All the housebuilders compete for a few plots of land, so land goes to who ever pays the most - making it more expensive. |
| P1 | House would be cheaper if housebuilders had more freedom over sites |
| P2 | Very significant, many developers chasing the same plot of land and trying to outbid each other – pushing up the price of land/values. |
| P4 | Supply of land is very limited in Portsmouth but this is more to do with the physical landscape, i.e. the two harbours, than planning restrictions. |

| **6.** Are there any particular local, regional or national planning policies which prevent you from building more housing units? | |
|---|---|
| Housebuilder | Response |
| N1 | The complete planning system |
| N2 | Flooding policy restricts development along the River Leen |
| N4 | Affordable housing policies |
| N6 | Local policies do allocate land for housing but not enough |
| N7 | Affordable housing targets are too high |
| P1 | The Local Plan should allocate more land for housing |
| P2 | Yes, mainly social housing, this must be included in any development above 9 units |
| P5 | Affordable units are not always suitable for all schemes, for example Gunwharf, but planning policy requires them. |

| **7.** Does the local planning authority give you sufficient support when putting forward new housing development? How could they offer more help? | |
|---|---|
| Housebuilder | Response |
| N1 | No, they could work with us but they are only interested in achieving targets and grants |
| N4 | Sometimes |
| N6 | Employees at exchange buildings often don't have enough time to assess cases sufficiently |
| P1 | Yes |
| P2 | By having more employees! Too few planning officers making rushed decisions (usually negative) |
| P7 | No the system needs to be more transparent, it is not predictable. |

| **8.** Are there any sites which you would like to build on but are prevented from doing so, for example by planning policy, cost of land etc? Where was the site and what prevented you? | |
|---|---|
| Housebuilder | Response |
| N4 | Some sites along the river Leen |
| N7 | Several proposals for housing have been declined in the past, the reasons given by the council often do not hold. |
| P7 | All the sites which are available are being developed; a lot of land in city is contaminated so requires certain procedures to bring it into use. |

| **9.** Would you support the introduction of housing land availability assessments which would require local authorities to work with developers to identify land that is developable? | |
|---|---|
| Housebuilder | Response |
| N1 | This is now Government policy and is a good idea. |
| N2 | If appropriate |
| N6 | This would give developers more influence in bringing sites forward for housing |
| P1 | Yes |
| P2 | Yes |
| P7 | Yes, so long as developers were actually listened to. |

| **10.** Do you have any suggestions for how more land could be developed in future? | |
|---|---|
| Housebuilder | Response |
| N1 | Open up the market and stop restricting planning |
| N6 | There are already suggestions to free up government owned land which is a good idea. |
| N8 | Reduce the area covered by green belt designation |
| P1 | Liberate the system |
| P2 | Try releasing ministry of defence land, also more brownfield sites with some assistance towards clearing contamination. |
| P7 | There isn't really any spare land not being developed is there? |

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